

City of Frankfort
Financial Statements
Year Ended June 30, 2022

**City of Frankfort
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Year Ended June 30, 2022**

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Independent Auditor's Report on Financial Statements

To the Honorable Mayor and City Commissioners
City of Frankfort

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankfort (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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Independent Auditor's Report on Financial Statements (Continued)

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 GAAS 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 GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note P to the financial statements, the beginning net position has been restated for various items. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and budgetary comparison information on page 56 through 58 be presented to supplement the basic financial statements. In addition, the schedules on pages 51 through 58 are required supplementary information regarding the pension and insurance plans. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report on Financial Statements (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 59 through 65, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 71 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lexington, Kentucky
December 15, 2022

**City of Frankfort
Management's Discussion and Analysis
Year Ended June 30, 2022**

As management of the City of Frankfort (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Frankfort for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements (statement of net position & statement of activities) report the City's net position and how it has changed. Net position, the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into two categories:

- **Governmental activities** - Most of the City's basic services are included here, such as the police, fire, public works, streets, parks & recreation, landfill, recycling, golf, tourism, planning & zoning, codes enforcement and general administration. Property taxes, occupational taxes, insurance premium taxes, and charges for services provide most of the funding.
- **Business-type activities** - The City charges fees to customers to help it cover the costs of certain services it provides, in this case Sewer.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of Funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. The governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs.
- **Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. Proprietary funds also include internal service funds that report services provided to internal units of government.
- **Fiduciary Fund** - The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

**City of Frankfort
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Financial Highlights

- The total net position of the City at the close of fiscal year 2022 was \$77,923,074.
- The Total Unrestricted (Deficit) Net Position at the end of fiscal year 2022 was \$(32,572,306).
- The total long-term debt of the governmental activities is included in other parts of this discussion.
- The actual revenues of the General Fund of the City were approximately \$518,000 more than budgeted revenues.
- Expenditures were approximately \$771,000 less than budgeted amounts.

Financial Overview

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital Assets	\$ 52,074,950	\$ 45,861,022	\$ 86,370,187	\$ 84,257,509	\$ 138,445,137	\$ 130,118,531
Other Assets	38,156,243	33,243,591	29,387,268	33,287,305	67,543,511	66,530,896
Total Assets	\$ 90,231,193	\$ 79,104,613	\$ 115,757,455	\$ 117,544,814	\$ 205,988,648	\$ 196,649,427
Deferred Outflows of Resources	\$ 19,012,356	\$ 20,901,530	\$ -	\$ -	\$ 19,012,356	\$ 20,901,530
Long-term Liabilities	\$ 80,785,524	\$ 92,135,303	\$ 35,338,136	\$ 35,323,630	\$ 116,123,660	\$ 127,458,933
Other Liabilities	12,758,133	10,389,011	1,139,016	4,234,637	13,897,149	14,623,648
Total Liabilities	\$ 93,543,657	\$ 102,524,314	\$ 36,477,152	\$ 39,558,267	\$ 130,020,809	\$ 142,082,581
Deferred Inflows of Resources	\$ 17,057,121	\$ 5,465,550	\$ -	\$ -	\$ 17,057,121	\$ 5,465,550
Invested in Capital Assets, net of related debt	\$ 47,184,103	\$ 40,478,937	\$ 51,032,051	\$ 45,912,280	\$ 98,216,154	\$ 86,391,217
Restricted	6,013,044	8,341,781	6,266,182	6,202,996	12,279,226	14,544,777
Unrestricted	(54,554,376)	(56,804,439)	21,982,070	25,871,271	(32,572,306)	(30,933,168)
Total Net Position	\$ (1,357,229)	\$ (7,983,721)	\$ 79,280,303	\$ 77,986,547	\$ 77,923,074	\$ 70,002,826

**City of Frankfort
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Financial Overview (Continued)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenue						
Charges for service	\$ 6,872,660	\$ 7,067,916	\$ 11,599,478	\$ 13,408,689	\$ 18,472,138	\$ 20,476,605
Operating grants & contributions	4,437,223	2,615,063	73,697	88,145	4,510,920	2,703,208
Capital grants & contributions	5,447,015	1,733,923	-	-	5,447,015	1,733,923
General Revenue						
Taxes						
Property taxes	4,054,699	3,849,901	-	-	4,054,699	3,849,901
Occupational and insurance premium taxes	24,545,786	22,955,666	-	-	24,545,786	22,955,666
Interest & Investment Earnings	111,677	144,373	131,067	177,146	242,744	321,519
Gain (loss) on Sale of Capital Assets	39,283	70,415	-	(9,498)	39,283	60,917
Transfers	475,000	246,290	(475,000)	(246,290)	-	-
Total Revenue	45,983,343	38,683,547	11,329,242	13,418,192	57,312,585	52,101,739
Expenditures						
General government	6,071,380	4,713,511	-	-	6,071,380	4,713,511
Finance	668,115	726,889	-	-	668,115	726,889
Insurance	3,885,582	3,578,974	-	-	3,885,582	3,578,974
Public safety	21,375,965	23,964,724	-	-	21,375,965	23,964,724
Public works	7,783,367	12,806,278	-	-	7,783,367	12,806,278
Parks & recreation	3,640,936	3,764,465	-	-	3,640,936	3,764,465
Planning & building codes	654,418	913,141	-	-	654,418	913,141
Interest on long-term debt	207,286	177,585	-	-	207,286	177,585
Sewer	-	-	9,947,244	11,189,530	9,947,244	11,189,530
Total Expenditures	44,287,049	50,645,567	9,947,244	11,189,530	54,234,293	61,835,097
Change in Net Position	1,696,294	(11,962,020)	1,381,998	2,228,662	3,078,292	(9,733,358)
Net Position, beginning of year	(7,983,721)	3,978,299	77,986,547	75,757,885	70,002,826	79,736,184
Prior Period Adjustment (Note P)	4,930,198	-	(88,242)	-	4,841,956	-
Net Position, ending	\$ (1,357,229)	\$ (7,983,721)	\$ 79,280,303	\$ 77,986,547	\$ 77,923,074	\$ 70,002,826

The City has continued to provide a high level and quality of services to the Citizens of Frankfort while maintaining a structurally balanced budget. Additionally, the City's Sewer division has continued to move forward with consent judgment projects to meet the deadlines established by the State. The Sewer Division will continue to monitor cash flow and funding capabilities to ensure that the projects are properly funded while continuing to keep a strong bond rating.

The City experienced a 19% increase in Governmental Activities revenues from the prior year. Governmental Funds expenditures decreased by 12% from the prior year. The revenue increase is mainly attributed to ARPA funds received from the Federal Government. The expenditure decrease is mainly attributed to capital assets recognized as expenditures in the prior year.

**City of Frankfort
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Capital Assets and Debt Administration

Capital Assets

The City had significant activity in capital assets during the year ended June 30, 2022. Total Net Capital Assets as of year-end were \$138,445,137. Sewer fund plant and equipment make up the business-type capital assets. The net sewer capital assets as of June 30, 2022 was \$86,370,187. As of June 30, 2022, there was \$35,429,587 of construction in progress. These construction costs consist primarily of Sewer Consent Projects.

Debt Administration

The governmental activities of the City include one bond. The remaining bond debt of \$3,720,000 will be paid off in 2040-2041. The financed purchases payable of the City will be paid off in the next fiscal year.

Business-type activities had \$35.3 million in bonds, notes and capitalized lease obligations outstanding as of June 30, 2022 compared to \$38.3 million the previous year.

The following long-term liabilities are currently outstanding and payable:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bonds Payable	\$ 3,773,894	\$ 13,644,752
Capitalized Lease Obligations	8,397	-
KIA Notes Payable	1,108,556	21,693,384
Compensated Absences	5,681,695	599,198
Pension Liability	58,263,107	-
OPEB Liability	<u>17,631,570</u>	<u>-</u>
	<u>\$ 86,467,219</u>	<u>\$ 35,937,334</u>

Analysis of Individual Funds

The City's Governmental Funds for the year ended June 30, 2022 reflect a combined ending fund balance of \$30,109,822, an increase of \$459,771 from the prior year.

The total fund balance in the General Fund as of June 30, 2022 was \$26,520,867, which represents an increase of \$668,076 from the prior year.

Analysis of Budget

Economic Factors and Next Year's Budget

The City of Frankfort, Kentucky's General Fund budget for the year ending 2023, increased approximately \$5,657,056 from the FY 2022 original budget. The FY 2023 budget is conservative but also reflects national trends of increases in salaries and other expenses due to inflation and coming out of a once in a lifetime pandemic.

**City of Frankfort
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Analysis of Budget (Continued)

Contacting the City of Frankfort, Kentucky Financial Management

This financial report is designed to provide citizens, creditors or other users with an overview of the City of Frankfort's finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the City of Frankfort, Kentucky at P.O. Box 697, Frankfort, KY 40602.

City of Frankfort
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 12,834,118	\$ 10,089,040	\$ 22,923,158
Investments	17,330,919	12,855,266	30,186,185
Receivables			
Accounts Receivable	2,058,052	-	2,058,052
Due From (to) Other Funds	(173,685)	173,685	-
Accrued Interest	11,050	3,095	14,145
Prepaid Expenses	82,745	-	82,745
Restricted Assets			
Cash and Cash Equivalents	4,602,351	2,180,568	6,782,919
Investments	26,691	4,080,675	4,107,366
Accrued Interest	-	4,939	4,939
Net Pension Asset	1,384,002	-	1,384,002
Capital Assets			
Nondepreciable Capital Assets	14,642,401	28,733,441	43,375,842
Depreciable Capital Assets, Net	37,432,549	57,636,746	95,069,295
Total Assets	\$ 90,231,193	\$ 115,757,455	\$ 205,988,648
Deferred Outflows of Resources - Pension & OPEB	\$ 19,012,356	\$ -	\$ 19,012,356
Liabilities			
Accounts payable	\$ 1,423,041	\$ 430,072	\$ 1,853,113
Accrued Expenses	1,373,609	75,915	1,449,524
Workers Compensation Reserve Liability	377,953	24,125	402,078
Health Care Liability	167,219	9,706	176,925
Compensated Absences	5,681,695	599,198	6,280,893
Unearned Revenue	3,734,616	-	3,734,616
Financed Purchases Payable			
Due Within One Year	8,397	-	8,397
KIA Loans Payable			
Due Within One Year	25,119	1,066,330	1,091,449
Due in More Than One Year	1,083,437	20,627,054	21,710,491
Bonds Payable			
Due Within One Year	140,000	2,180,000	2,320,000
Due in More Than One Year	3,633,894	11,464,752	15,098,646
Net Pension Liability	58,263,107	-	58,263,107
Net OPEB Liability	17,631,570	-	17,631,570
Total Liabilities	\$ 93,543,657	\$ 36,477,152	\$ 130,020,809
Deferred Inflows of Resources- Pension & OPEB	\$ 17,057,121	\$ -	\$ 17,057,121
Net Position			
Invested in Capital Assets, net of related debt	\$ 47,184,103	\$ 51,032,051	\$ 98,216,154
Restricted	6,013,044	6,266,182	12,279,226
Unrestricted (deficit)	(54,554,376)	21,982,070	(32,572,306)
Total Net Position	\$ (1,357,229)	\$ 79,280,303	\$ 77,923,074

See accompanying notes.

City of Frankfort
Statement of Activities
Year Ended June 30, 2022

Function/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 6,071,380	\$ 175,096	\$ 33,583	\$ -	\$ (5,862,701)	\$ -	\$ (5,862,701)
Finance	668,115	-	-	-	(668,115)	-	(668,115)
Insurance	3,885,582	-	-	-	(3,885,582)	-	(3,885,582)
Public Safety	21,375,965	3,125,002	4,124,820	290,832	(13,835,311)	-	(13,835,311)
Public Works	7,783,367	2,615,301	272,220	5,156,183	260,337	-	260,337
Parks and Recreation	3,640,936	915,013	-	-	(2,725,923)	-	(2,725,923)
Planning and Building Codes	654,418	42,248	6,600	-	(605,570)	-	(605,570)
Interest on Long Term Debt	207,286	-	-	-	(207,286)	-	(207,286)
Total Governmental Activities	44,287,049	6,872,660	4,437,223	5,447,015	(27,530,151)	-	(27,530,151)
Business-type Activities							
Sewer	9,947,244	11,599,478	73,697	-	-	1,725,931	1,725,931
Total Primary Government	\$ 54,234,293	\$ 18,472,138	\$ 4,510,920	\$ 5,447,015	\$ (27,530,151)	\$ 1,725,931	\$ (25,804,220)
General Revenues							
Taxes							
Property tax					\$ 4,054,699	\$ -	\$ 4,054,699
Occupational and insurance premium tax					24,545,786	-	24,545,786
Interest on Investment Earnings					111,677	131,067	242,744
Gain (Loss) on Sale of Assets					39,283	-	39,283
Transfers					475,000	(475,000)	-
Total General Revenues & Transfers					29,226,445	(343,933)	28,882,512
Change in Net Position					1,696,294	1,381,998	3,078,292
Net Position - Beginning, as originally stated					(7,983,721)	77,986,547	70,002,826
Prior Period Adjustment (Note P)					4,930,198	(88,242)	4,841,956
Net Position - Ending					\$ (1,357,229)	\$ 79,280,303	\$ 77,923,074

See accompanying notes.

City of Frankfort
Balance Sheet - Governmental Funds
June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 9,485,814	\$ 3,348,303	\$ 12,834,117
Investments	16,730,919	600,000	17,330,919
Accounts & Grants Receivable	630,143	1,427,911	2,058,054
Due (to) From Other Funds	812,425	(986,110)	(173,685)
Accrued Interest	10,759	291	11,050
Prepaid Expenses	82,745	-	82,745
Restricted Assets:			
Cash and Cash Equivalents	4,602,351	-	4,602,351
Investments	26,691	-	26,691
	<u>32,381,847</u>	<u>4,390,395</u>	<u>36,772,242</u>
Total Assets	<u>\$ 32,381,847</u>	<u>\$ 4,390,395</u>	<u>\$ 36,772,242</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 621,602	\$ 801,440	\$ 1,423,042
Accrued Payroll Expenses	1,373,609	-	1,373,609
Unearned Revenue	3,734,616	-	3,734,616
Health Care Liability	131,153	-	131,153
	<u>5,860,980</u>	<u>801,440</u>	<u>6,662,420</u>
Total Liabilities	<u>\$ 5,860,980</u>	<u>\$ 801,440</u>	<u>\$ 6,662,420</u>
Fund Balances			
Unassigned Funds	\$ 17,904,253	\$ -	\$ 17,904,253
Restricted Funds	4,629,042	3,572,415	8,201,457
Assigned Funds	3,904,827	16,540	3,921,367
Non-Spendable Funds	82,745	-	82,745
	<u>26,520,866</u>	<u>3,588,955</u>	<u>30,109,821</u>
Total Fund Balances	<u>26,520,866</u>	<u>3,588,955</u>	<u>30,109,821</u>
Total Liabilities and Fund Balances	<u>\$ 32,381,846</u>	<u>\$ 4,390,395</u>	<u>\$ 36,772,241</u>

See accompanying notes.

City of Frankfort
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position
June 30, 2022

Total Fund Balance Per Fund Financial Statement	\$ 30,109,821
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the statement of net position.	52,074,950
Pension assets are not current financial resources, but they are reported in the statement of net position.	1,384,002
Deferred Outflows and Inflows are not current financial resources or due and payable in the current period:	
Deferred inflows associated with pension and OPEB	(17,057,121)
Deferred outflows associated with pension and OPEB	19,012,356
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(58,263,107)
Net OPEB liability	(17,631,570)
Financed purchases payable	(8,397)
KIA Payable	(1,108,556)
General obligation bond debt	(3,773,894)
Accrued compensated absences	(5,681,695)
Health care liability	(36,066)
Workers compensation reserve liability	<u>(377,953)</u>
Net Position for Governmental Activities	<u>\$ (1,357,230)</u>

See accompanying notes.

City of Frankfort
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Revenues			
Taxes	\$ 4,054,699	\$ -	\$ 4,054,699
Occupational Receipts	24,545,786	-	24,545,786
Licenses, Permits, & Fines	42,248	-	42,248
Fines and Forfeitures	1,785	159,423	161,208
Charges for Service	3,981,257	510,088	4,491,345
Intergovernmental	6,692,314	5,212,144	11,904,458
Interest Income	104,104	6,833	110,937
Recycling	33,557	-	33,557
Rental Income	80,356	740	81,096
Miscellaneous	46,463	(2,737)	43,726
Total Revenues	<u>\$ 39,582,569</u>	<u>\$ 5,886,491</u>	<u>\$ 45,469,060</u>
Expenditures			
Current			
General government	\$ 3,474,652	\$ 72,623	\$ 3,547,275
Public safety	18,015,319	741,982	18,757,301
Finance	570,378	-	570,378
Insurance	3,885,582	-	3,885,582
Public Works	7,236,449	5,541,227	12,777,676
Parks and Recreation	3,389,931	613,473	4,003,404
Planning and Building Codes	624,368	126,745	751,113
Pension and Accrual Payouts	652,837	-	652,837
Debt Service	-	-	-
Principal Ret, Capitalized Lease Obligations	1,064,304	-	1,064,304
Interest and Fiscal Charges	172,310	-	172,310
Total Expenditures	<u>\$ 39,086,130</u>	<u>\$ 7,096,050</u>	<u>\$ 46,182,180</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 496,439</u>	<u>\$ (1,209,559)</u>	<u>\$ (713,120)</u>
Other Financing Sources (uses)			
KIA Payable Proceeds	\$ -	\$ 564,523	\$ 564,523
Transfers In	805,000	766,731	1,571,731
Transfers Out	(766,731)	(330,000)	(1,096,731)
Proceeds from Sales of Capital Assets	133,368	-	133,368
Total Other Financing Sources (Uses)	<u>\$ 171,637</u>	<u>\$ 1,001,254</u>	<u>\$ 1,172,891</u>
Net Change in Fund Balances	668,076	(208,305)	459,771
Fund Balances, beginning of year	<u>25,852,791</u>	<u>3,797,260</u>	<u>29,650,051</u>
Fund Balance, end of year	<u>\$ 26,520,867</u>	<u>\$ 3,588,955</u>	<u>\$ 30,109,822</u>

See accompanying notes.

City of Frankfort
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2022

Net Change in Fund Balances - Total governmental funds \$ 459,771

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Governmental funds also report only the proceeds from sales of fixed assets while the net gain or loss is reported in the statement of activities. 2,955,209

Net pension assets are not available for the payment of current expenditures and therefore are not reported in the governmental funds. (287,477)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term and related items. 491,238

The difference between pension and OPEB expense and contributions. (1,531,086)

Some expenses such as long term compensated absences and insurance liabilities are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (391,361)

Change in Net Position of Governmental Activities \$ 1,696,294

See accompanying notes.

City of Frankfort
Statement of Net Position - Proprietary Funds - Sewer Fund
June 30, 2022

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 10,089,040
Investments	12,855,266
Accrued Interest	3,095
Interfund Receivable/Payable	173,685
Total Current Assets	<u>\$ 23,121,086</u>
Noncurrent Assets	
Restricted Assets	
Cash and Cash Equivalents	\$ 2,180,568
Investments	4,080,675
Accrued Interest	4,939
Capital Assets	
Nondepreciable Capital Assets	28,733,441
Depreciable Capital Assets, Net	57,636,746
Total Noncurrent Assets	<u>\$ 92,636,369</u>
Total Assets	<u><u>\$ 115,757,455</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 430,072
Accrued Payroll Expenses	75,915
Workers Compensation Reserve Liability	24,125
Health Care Liability	9,706
KIA Loans Payable	1,066,330
Bonds Payable	2,180,000
Total Current Liabilities	<u>\$ 3,786,148</u>
Noncurrent Liabilities	
Bonds Payable	\$ 11,464,752
KIA Loans Payable	20,627,054
Accrued Compensated Absences	599,198
Total Noncurrent Liabilities	<u>\$ 32,691,004</u>
Total Liabilities	<u>\$ 36,477,152</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	\$ 51,032,051
Restricted	6,266,182
Unrestricted	21,982,070
Total Net Position	<u><u>\$ 79,280,303</u></u>

See accompanying notes.

City of Frankfort
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds - Sewer Fund
Year Ended June 30, 2022

Operating Revenues	
User Fees	\$ 10,332,873
Dump Fees	1,122,888
Tap Fees	143,203
Inspection Fees	500
Back Billing Revenues	14
	<hr/>
Total Operating Revenues	\$ 11,599,478
	<hr/>
Operating Expenses	
Personnel Services	\$ 1,986,202
Employee Benefits	1,202,212
Heat, Light, and Power	582,886
Insurance	241,458
Other Contracted Services	640,313
Drug and Lab Supplies	586,489
Shop Supplies	409,628
Other Expenses	12,105
Repairs and Maintenance	622,209
Depreciation Expense	2,596,394
	<hr/>
Total Operating Expenses	\$ 8,879,896
	<hr/>
Operating Income/(Loss)	2,719,582
	<hr/>
Non-Operating Revenues/(Expenses)	
Grants and Aid	\$ 73,697
Interest Expense	(1,055,318)
Bond Discount and Amortization	(12,030)
Investment Income	131,067
	<hr/>
Total Non-Operating Revenues/(Expenses)	\$ (862,584)
	<hr/>
Net Transfers	(475,000)
	<hr/>
Change in Net Position	1,381,998
Net Assets, Beginning of Year, as originally stated	77,986,547
Prior Period Adjustment (See Note P)	(88,242)
	<hr/>
Net Assets, End of Year	\$ 79,280,303
	<hr/> <hr/>

See accompanying notes.

City of Frankfort
Statement of Cash Flows - Proprietary Funds - Sewer Fund
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Cash receipts from customers and users	\$ 10,994,608
Cash paid to employees	(1,950,836)
Cash payments to vendors	<u>(4,434,568)</u>
Net Cash Provided by Operating Activities	4,609,204
Cash Flows from Noncapital Financing Activities	
Transfers in	<u>(475,000)</u>
Net Cash Used in Noncapital Financing Activities	(475,000)
Cash Flows from Capital and Related Financing Activities	
Grants and aid	73,697
Purchase of capital assets and construction in progress	(4,709,072)
Principal paid on bonds	(2,095,000)
Principal paid on KIA	(926,598)
Proceeds from KIA	2,475
Interest payments	<u>(1,055,318)</u>
Net Cash Used in Capital and Related Financing Activities	(8,709,816)
Cash Flows from Investing Activities	
Receipt of interest	<u>91,880</u>
Net Cash Provided by Investing Activities	<u>91,880</u>
Net Change in Cash and Cash Equivalents	(4,483,732)
Cash and Cash Equivalents, beginning of year	<u>16,753,340</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 12,269,608</u></u>

See accompanying notes.

City of Frankfort
Statement of Cash Flows - Proprietary Funds - Sewer Fund (Continued)
Year Ended June 30, 2022

Reconciliation of Cash - end of year	
Cash and cash equivalents	\$ 10,089,040
Restricted cash funds	<u>2,180,568</u>
	<u>\$ 12,269,608</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating (loss) income	\$ 2,719,582
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	2,608,424
Change in assets and liabilities	
Accounts receivable	(48,823)
Accrued interest receivable	(39,910)
Interfund receivables/payables	(556,047)
Accounts payable	(135,288)
Accrued payroll	9,156
Insurance liabilities	(1,980)
Compensated absences	<u>54,090</u>
Net Cash Provided by Operating Activities	<u>\$ 4,609,204</u>

See accompanying notes.

City of Frankfort
Statement of Fiduciary Net Position
June 30, 2022

	Pension Trust - Police & Firemen's Retirement	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 578,625	\$ 108,088
Investments	<u>2,685,066</u>	<u>-</u>
Total Assets	<u><u>\$ 3,263,691</u></u>	<u><u>\$ 108,088</u></u>
Liabilities		
Other Liabilities	<u>\$ -</u>	<u><u>\$ 108,088</u></u>
Net Position		
Held in Trust for Pension Benefits	<u><u>\$ 3,263,691</u></u>	

See accompanying notes.

City of Frankfort
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	<u>Pension Trust - Police & Firemen's Retirement</u>
Additions	
Investment Earnings	
Interest and Dividends	\$ 61,943
Realized and Unrealized Gains (Losses)	<u>(289,107)</u>
Total Additions	\$ (227,164)
Deductions	
Retirement Claims Paid	\$ 223,897
Administrative Fees	<u>12,812</u>
Total Deductions	<u>\$ 236,709</u>
Change in Net Position	(463,873)
Net Position, beginning of year	<u>3,727,564</u>
Net Position, end of year	<u><u>\$ 3,263,691</u></u>

See accompanying notes.

City of Frankfort
Notes to Financial Statements
Year Ended June 30, 2022

Note A - Summary of Significant Accounting Policies

The financial statements of the City of Frankfort, Kentucky (the "City") have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for government accounting and financial reporting. The City applies all relevant GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

1. The Reporting Entity: The City was incorporated in 1786 under the provisions of the Commonwealth of Kentucky. The City operates under a mayor and commission-manager form of government. The governing body consists of the Mayor and four elected commission members. The Mayor is elected to serve a four-year term, and commissioners are each elected to serve a two-year term. The City Manager administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager.

The accompanying financial statements present the City and its component units (traditionally separate reporting entities) for which the City is considered to be financially accountable. The City, (the "primary government") is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Blended Component Unit

The City has included the financial operations of the City of Frankfort, Kentucky Police and Firefighters' Retirement Fund as a blended component unit. The entity is listed separately as a fiduciary fund. Policemen and Firefighters retired prior to August 1, 1988 participate in this plan. The City does not select the pension board nor does it have the ability to significantly influence operations. However, there would be financial interdependency because the City would be responsible for funding any deficit and any surplus in the fund would be returned to the City.

2. Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the "City") including its blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double accounting of internal activities. These statements distinguish between the governmental and business-type activities of the City.

Governmental activities normally are supported through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, property taxes, interest and investment income and other revenues are reported as general revenues.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note A - Summary of Significant Accounting Policies (Continued)

3. Fund Financial Statements: The fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The City has the following major funds:

Governmental Fund Types:

- a) The General Fund is the primary operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Proprietary Fund Types:

- a) The Sewer Fund accounts for revenues received for sewer services for the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

Fiduciary Fund Types:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs.

- a) Pension Trust Funds are used to report resources that are held in trust for the members and beneficiaries of the Police and Firefighters' Retirement Benefit Plan.
- b) Agency Funds are used to report resources held by the City in a purely custodial capacity. Agency funds typically involve the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (matured).

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note A - Summary of Significant Accounting Policies (Continued)

4. Basis of Accounting (Continued): Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
5. Cash and Investments: The City's cash and cash equivalents are considered to be cash on hand, demand deposits. Legal requirements and the City's policies governing investments are discussed in Note C.
6. Restricted Assets: The City has certain assets that are restricted by terms of federal or state grants and programs, debt service, or other agreements and are segregated on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position. They include:
 - a) Funds restricted in trust accounts for the payment of health and workers compensation claims as needed.
 - b) The Sewer's Bond Depreciation and Reserve accounts funds that are required to be held in reserve until all outstanding bonds are retired.
7. Interfund Receivables and Payables: Interfund transactions that would be treated as revenues or expenditures/expenses, if they involved organizations external to the City, are similarly treated when involving funds of the City. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as interfund transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.
8. Receivables: In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trend and the periodic aging of accounts receivable. The City's management considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts receivable is required. Major receivable balances for the governmental funds consist of grant and interest receivables. Business-type activities report interest receivables as their major receivables.
9. Property Taxes: Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in the month of November and are due and payable at that time. All unpaid taxes levied in the month of November become delinquent January 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are at least six months delinquent at June 30 and are not considered collectible.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note A - Summary of Significant Accounting Policies (Continued)

9. Property Taxes (Continued): Property taxes for the fiscal year ended June 30, 2022 were levied on September 30, 2021, on the assessed valuation of property located in the City as of the preceding January 1. The due date and collection periods for property taxes are as follows:

<u>Description</u>	<u>Per KRS.134.015(3)</u>
1. Due date for payment of taxes	Upon receipt
2. 2% discount period	By November 30
3. Face value amount payment dates	December 1 through December 31
4. 10% penalty plus ½%	After December 31
5. 10% penalty plus ½% each additional month	After January 31

The City's tax rate applicable to the 2022 fiscal year was \$.196 per \$100 of assessed valuation for real estate.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized. Depreciation is computed using the straight-line method.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

<u>Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings & Improvements	\$ 25,000	5-40
Computers & Electronics	1,500	3-10
Machinery & Equipment	1,500	3-10
Vehicles	1,500	3-10
Furniture & Fixtures	1,500	3-10
Infrastructure	25,000	20-100
Inland/Marine	1,500	3-10
Pump Stations	1,500	20

11. Accrued Compensated Absences and Sick Pay: Vacation and sick pay are accrued when incurred in the government-wide financial statements. Any employee whose employment with the City ends in retirement or with the employee giving proper notice and being in good standing shall be compensated for all unused vacation. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave. In governmental funds, such amounts are not accrued using the modified accrual basis of accounting but are reported as a liability in the government-wide financial statements.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note A - Summary of Significant Accounting Policies (Continued)

12. 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, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as "other financing sources" while discounts and issuance costs on bond issuances are reported as "other financing uses."

13. Fund Reserves and Designations: The Board of Commissioners is the City's highest level of decision-making authority. Commitments of fund balance must be approved by the Commission in an open meeting by formal vote. Per the City's policy, assigned fund balances are proposed by the City Manager or the Finance Director and approved by the Board of Commissioners and may include the following: (1) vital projects requiring use of current resources in future periods, (2) capital projects, (3) interim funding for operating costs during shortfalls or (4) contractual obligations including compensated absences and amounts encumbered for a specific purpose if the resources are not already reported as restricted. The City has not adopted a policy to govern the order of priority on use of fund balance when restricted or unrestricted amounts are both available. In the current year there are no committed fund balances. Assigned fund balances in the governmental funds consist of the following:

Encumbrances	\$	330,184
Compensated absences		3,574,643
		\$ 3,904,827

14. Budgetary Information: The City Commission approves, by ordinance, total budget appropriations only. The City manager is authorized to transfer budget amounts between departments within any fund; however, any revisions to the total appropriations of any fund must be approved by the City Commission. Therefore, the level of budgetary responsibility is by total appropriations, however, for report purposes this level has been expanded to a departmental basis.

Detailed annual budgets are adopted for the general fund and the sewer fund. The annual budget for those funds is prepared in accordance with the basis of accounting utilized by those funds. The City has adopted budgets for its special revenue and capital projects funds. However, these budgets are prepared using only total revenues and total expenditures.

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual presents comparisons of legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant entity and timing differences in excess (deficiency) of revenues over (under) expenditures are shown, if necessary. Additionally, any purchase orders intended to be honored from the prior year are carried forward and reflected in the Final Budgeted amounts of the Statement, if applicable.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note A - Summary of Significant Accounting Policies (Continued)

14. Budgetary Information (Continued): Encumbrance accounting is utilized during the year to facilitate effective budgetary control. Encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Budgetary comparisons presented in this report are on this budgetary basis of accounting. Adjustments necessary to convert from budgetary basis to GAAP are provided on the face of the budgetary comparison statements. In governmental funds, encumbrances outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances do not lapse at the close of the fiscal year but are carried forward as assigned fund balance until liquidated.
15. Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the County Employers' Retirement System ("CERS") and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
16. Deferred Inflows of Resources and Deferred Outflows of Resources: With the implementation of GASB Statements 65 and 68 and 75, the Government's Statement of Net Position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.
 - Deferred Outflows - include contributions to pension plans made subsequent to the City's measurement date of June 30, 2020 in addition to differences between projected and actual earnings on investments in pension plans.
 - Deferred Inflows - include differences between projected and actual earnings on investments in pension plans.
17. Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B - Deposits

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation ("FDIC") as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which together with FDIC insurance equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the City and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a depository institution failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note C - Investments

The City follows state statutes pertaining to investments permitted by law. Governmental and Proprietary investments include assets held by fiscal agents for health care and workers compensation claims which are maintained in trust accounts and subject to different investment criteria than the general assets of the City. The general operating fund investments are in certificates of deposit which are held at cost which approximates fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other than observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2022:

<u>Governmental</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit/Savings	\$ 5,575,257	\$ -	\$ -
GNMA bond funds	26,691	-	-
Money Market Funds	11,755,662	-	-
	<u>\$ 17,357,610</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Proprietary</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit/Savings	\$ 11,869,679	\$ -	\$ -
GNMA bond funds	2,110	-	-
Money Market Funds	5,064,152	-	-
	<u>\$ 16,935,941</u>	<u>\$ -</u>	<u>\$ -</u>

The City's Police and Firefighters' Retirement Fund is not subject to the same investment laws as the City. The City's Police and Firefighters' investments are all categorized as either insured or registered. The securities are held by the retirement fund, or by its agent, in the name of the Police and Firefighters' Retirement Fund.

The City's Police and Firefighters' Retirement Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund has the following recurring fair value measurements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal bonds	\$ -	\$ 95,336	\$ -
US Government securities	708,218	-	-
Equities	240,858	-	-
Corporate Bonds	-	1,613,345	-
Money Market Funds	27,309	-	-
	<u>\$ 976,385</u>	<u>\$ 1,708,681</u>	<u>\$ -</u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note C - Investments (Continued)

- Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit Risk - State law limits the types of investments in which the City may invest its funds. The City's investment policy specifies that governmental funds will be invested in obligations of the U.S. government and its agencies or certificates of deposit.
- Concentration of Credit Risk - The City places no limit on the amount it may invest in any one investment. The City does have a policy whereby no financial institution shall be selected as a depository of City funds if the funds exceed 5% of the institution's capital and surplus.

Note D - Receivables

Receivables consist primarily of amounts due in relation to grant agreements.

Note E - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 7,036,828	\$ -	\$ (86,581)	\$ 6,950,247
Construction in Progress	3,258,719	4,433,435	-	7,692,154
Total Nondepreciable Capital Assets	<u>\$ 10,295,547</u>	<u>\$ 4,433,435</u>	<u>\$ (86,581)</u>	<u>\$ 14,642,401</u>
Depreciable Capital Assets				
Buildings and Improvements	\$ 24,936,758	\$ 104,891	\$ (16,656)	\$ 25,024,993
Infrastructure	39,064,011	-	-	39,064,011
Inland Marine	4,979,450	111,836	(27,577)	5,063,709
Computers and Electronic Equipment	809,095	-	(2,300)	806,795
Machinery and Equipment	1,351,755	201,127	(4,986)	1,547,896
Furniture and Fixtures	2,239,736	-	-	2,239,736
Vehicles	17,780,959	1,090,372	(169,074)	18,702,257
Total Depreciable Capital Assets	<u>\$ 91,161,764</u>	<u>\$ 1,508,226</u>	<u>\$ (220,593)</u>	<u>\$ 92,449,397</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (13,792,927)	\$ (672,949)	\$ 14,978	\$ (14,450,898)
Infrastructure	(18,636,461)	(605,328)	-	(19,241,789)
Inland Marine	(4,027,857)	(158,952)	27,218	(4,159,591)
Computers and Electronic Equipment	(735,955)	(6,276)	2,185	(740,046)
Machinery and Equipment	(1,085,722)	(122,639)	4,986	(1,203,375)
Furniture and Fixtures	(1,506,251)	(223,791)	-	(1,730,042)
Vehicles	(12,552,397)	(1,102,430)	163,720	(13,491,107)
Total Accumulated Depreciation	<u>\$ (52,337,570)</u>	<u>\$ (2,892,365)</u>	<u>\$ 213,087</u>	<u>\$ (55,016,848)</u>
Total Depreciable Assets, Net	<u>38,824,194</u>	<u>(1,384,139)</u>	<u>(7,506)</u>	<u>37,432,549</u>
Total Capital Assets, Net	<u>\$ 49,119,741</u>	<u>\$ 3,049,296</u>	<u>\$ (94,087)</u>	<u>\$ 52,074,950</u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note E - Capital Assets (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$ 996,008	\$ -	\$ -	\$ 996,008
Construction in Progress	23,319,443	4,417,990	-	27,737,433
Total Nondepreciable Capital Assets	<u>24,315,451</u>	<u>4,417,990</u>	<u>-</u>	<u>28,733,441</u>
Capital Assets, Being Depreciated				
Buildings	\$ 14,713,284	\$ -	\$ -	\$ 14,713,284
Machinery and Equipment	2,134,309	-	-	2,134,309
Furniture and Fixtures	64,111	-	-	64,111
Computers and Electronic Equipment	210,321	-	-	210,321
Inland Marine	830,452	18,086	-	848,538
Vehicles	2,029,016	272,996	-	2,302,012
Pump Stations	18,456,265	-	-	18,456,265
Infrastructure	54,663,321	-	-	54,663,321
Total Depreciable Capital Assets	<u>\$ 93,101,079</u>	<u>\$ 291,082</u>	<u>\$ -</u>	<u>\$ 93,392,161</u>
Less Accumulated Depreciation				
Buildings	\$ (9,247,953)	\$ (409,868)	\$ -	\$ (9,657,821)
Infrastructure	(11,435,027)	(1,558,271)	-	(12,993,298)
Inland Marine	(641,773)	(8,340)	-	(650,113)
Pump Stations	(8,039,263)	(567,589)	-	(8,606,852)
Computers and Electronic Equipment	(199,075)	-	-	(199,075)
Machinery and Equipment	(2,061,291)	35,665	-	(2,025,626)
Furniture and Fixtures	(63,672)	-	-	(63,672)
Vehicles	(1,470,967)	(87,991)	-	(1,558,958)
Total Accumulated Depreciation	<u>\$ (33,159,021)</u>	<u>\$ (2,596,394)</u>	<u>\$ -</u>	<u>\$ (35,755,415)</u>
Total Depreciable Assets, Net	<u>59,942,058</u>	<u>(2,305,312)</u>	<u>-</u>	<u>57,636,746</u>
Total Capital Assets, Net	<u>\$ 84,257,509</u>	<u>\$ 2,112,678</u>	<u>\$ -</u>	<u>\$ 86,370,187</u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note E - Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 9,567
Public safety	1,456,725
Public works	1,204,263
Parks and recreation	<u>221,810</u>
	<u>\$ 2,892,365</u>
Business-type Activities	
Sewer	<u>\$ 2,596,394</u>

Note F - Interfund Receivables, Payables and Transfers

Interfund receivables/payables exist between the following funds:

Due to	Due from		Total
	General	Tiger	
General	\$ -	\$ 1,099,840	\$ 1,099,840
Asset forfeiture	95,344	-	95,344
Capital Improvements	26,015	-	26,015
Tiger	-	-	-
Stormwater	1,873	-	1,873
Sewer	<u>164,183</u>	<u>9,502</u>	<u>173,685</u>
	<u>\$ 287,415</u>	<u>\$ 1,109,342</u>	<u>\$ 1,396,757</u>

During the year ended June 30, 2022, transfers between funds were as follows:

- a) \$330,000 was transferred from the E-911 to the General Fund to help offset E911 expenditures (communications) paid from the General Fund.
- b) \$459,731 was transferred from the General to the Capital Improvements Fund. The transfers were used to pay for Dolly Graham Park renovations (\$340,600), additional costs for the garage roof (\$19,131), and architect fees for a new fire station design (\$100,000).
- c) \$475,000 was transferred from the Sewer Fund to the General Fund. The transfer was made to help offset administrative costs incurred by the city that benefit all departments, including sewer.
- d) \$150,000 was transferred from the General Fund to the Stormwater Fund. The transfer was used to help fund stormwater projects in the City.
- e) \$157,000 was transferred from the General Fund to the Tiger Fund. The transfer was used to fund improvements to City Hall and make it ADA compliant.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note G - Long-term Liabilities

A summary of long-term liabilities activity for the year ended June 30, 2022 is as follows. Additional detailed information is available in the following notes.

	Beginning Balance	Additions	Reductions	Premiums/ Discounts	Ending Balance	Due Within One Year
Governmental Activities:						
Bonds Payable	\$ 4,778,918	\$ -	\$ (1,040,000)	\$ 34,976	\$ 3,773,894	\$ 140,000
KIA Payable	568,337	564,523	(24,304)	-	1,108,556	25,119
Financed Purchases Payable	34,830	-	(26,433)	-	8,397	8,397
Compensated Absences	5,338,925	342,770	-	-	5,681,695	-
Total	\$ 10,721,010	\$ 907,293	\$ (1,090,737)	\$ 34,976	\$ 10,572,542	\$ 173,516
	Beginning Balance	Additions	Reductions	Discounts	Ending Balance	Due Within One Year
Business-type Activities:						
Bonds Payable	\$ 15,727,722	\$ -	\$ (2,095,000)	\$ 12,030	\$ 13,644,752	\$ 2,180,000
KIA Payable	22,617,507	2,475	(926,598)	-	21,693,384	1,066,330
Compensated Absences	545,108	54,090	-	-	599,198	-
Total	\$ 38,890,337	\$ 56,565	\$ (3,021,598)	\$ 12,030	\$ 35,937,334	\$ 3,246,330

For governmental activities, compensated absences are liquidated by the general fund.

Bonds Payable

General obligation and revenue bond issues reported as liabilities in the Statement of Net Position are as follows (amounts shown on Statement of Financial Position are shown net of premium/discounts):

Governmental Activities	Purpose of Issue	Original Issue	Interest Rate	Final Maturity	Amount Outstanding
General Obligation Bonds					
2014 General Obligation	Aquatic Center	4,650,000	1%-4%	12/1/2040	\$ 3,720,000
Total General Obligation Bonds					<u>\$ 3,720,000</u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note G - Long-term Liabilities (Continued)

Bonds Payable (Continued)

	<u>Purpose of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Business-Type Activities					
Revenue Bonds					
2007 Revenue Bonds	Sewer System Improvements	\$ 9,995,000	3.35%-4.00%	12/1/2023	\$ 1,680,000
2010 Revenue Bonds	Sewer System Improvements	13,445,000	1.20%-4.55%	12/1/2025	4,415,000
2013 Revenue Bonds	Sewer System Improvements	9,995,000	1.00%-4.50%	6/30/1939	7,595,000
Total Revenue Bonds					<u>\$ 13,690,000</u>

Financed Purchases Payable

Financed purchases payable reported as liabilities in the Statement of Net Position are as follows:

	<u>Purpose of Issue</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity</u>	<u>Outstanding</u>
Governmental Activities					
Financed Purchases Payable					
	PNC Mowing Equipment	\$ 98,639	3.97%	9/1/2022	\$ 5,410
	PNC Equipment	54,443	3.97%	9/1/2022	2,987
Total Financed Purchases Payable					<u>\$ 8,397</u>

KIA Payable

On August 1, 2013, the City entered into an assistance agreement with the Kentucky Infrastructure Authority ("KIA") and received a federally assisted wastewater revolving fund loan to construct a 10-million gallon equalization basin for the City's sanitary sewer system. The loan will be \$8,000,000 upon completion of the project and will be repaid with interest of 1.75%. The balance is to be repaid over 20 years. The balance as of June 30, 2022 is \$5,698,917.

During 2017-2018, the City received draws on five loans for additional Sewer Department Improvements to which part of the loans were federally funded from the Kentucky Infrastructure Authority. The loan balances as of June 30, 2022 were \$9,096,597. Complete amortization on one loan is not available as future draws will occur. For disclosure purposes, maturities were estimated based on anticipated completion date.

During 2019-2020, the City received three additional draws for additional Sewer Department Improvements to which part of the loans were federally funded from the Kentucky Infrastructure Authority. The loan balances of these loans as of June 30, 2022 were \$4,581,797. Complete amortization of two loans is not available due to the plan for further draws. For disclosure purposes, maturities were estimated based on anticipated completion dates.

During 2020-2021, the City received two additional draws for additional Sewer Department Improvements to which part of the loans were federally funded from the Kentucky Infrastructure Authority. The loan balances of these loans as of June 30, 2022 were \$2,316,073. Amortization of one loan is not available due to the plan for further draws. For disclosure purposes, maturities were estimated based on anticipated completion dates.

During 2021-2022, the City received two additional draws for stormwater improvements and management which were recorded in the governmental funds and totaled \$564,523. Additionally, the City received draws prior to July 1, 2022 for stormwater improvements which were recorded in the governmental funds. The balance of these three loans at June 30, 2022 was \$1,108,556. For disclosure purposes, the current year draws are included as a separate line item in the maturities schedule.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note G - Long-term Liabilities (Continued)

Long-term debt Maturities

Debt service requirements (principal and interest) to maturity for the City's bonds, leases and notes payable are as follows:

Fiscal Year	Governmental Activities					
	General Obligation Bonds		KIA		Financed Purchases Payable	
	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 132,825	\$ 140,000	\$ 10,479	\$ 25,119	\$ 56	\$ 8,397
2024	129,794	145,000	9,987	25,560	-	-
2025	125,913	150,000	9,487	26,009	-	-
2026	121,413	150,000	8,977	26,467	-	-
2027	116,838	155,000	8,459	26,932	-	-
2028-2032	486,663	885,000	34,195	141,928	-	-
2033-2037	291,694	1,075,000	19,799	154,848	-	-
2038-2041	75,760	1,020,000	4,514	117,170	-	-
Loans not fully drawn	-	-	-	564,523	-	-
	<u>\$ 1,480,898</u>	<u>\$ 3,720,000</u>	<u>\$ 105,897</u>	<u>\$ 1,108,556</u>	<u>\$ 56</u>	<u>\$ 8,397</u>

Fiscal Year	Business-Type Activities			
	Revenue Bonds		KIA Notes Payable	
	Interest	Principal	Interest	Principal
2023	\$ 528,082	\$ 2,180,000	\$ 370,773	\$ 1,066,330
2024	437,018	2,265,000	352,087	1,085,072
2025	359,382	1,475,000	333,015	1,104,144
2026	295,407	1,540,000	313,608	1,123,551
2027	256,012	370,000	293,860	1,143,299
2028-2033	1,201,237	2,560,000	1,359,179	8,453,295
2033-2038	461,600	3,300,000	541,420	5,837,659
Thereafter	-	-	65,185	1,880,034
	<u>\$ 3,538,738</u>	<u>\$ 13,690,000</u>	<u>\$ 3,629,127</u>	<u>\$ 21,693,384</u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note H - Conduit Debt

In December 2009, the City authorized the Kentucky Economic Development Finance Authority to issue Industrial Revenue Bonds to finance an industrial building project within the City for Goodwill Industries.

The City is not obligated in any manner for repayment of the above debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements.

Note I - Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters for which the City carries commercial insurance. Settled claims, relating to these exposures, have not exceeded insurance coverage in any of the past three years. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management estimates that the amount of actual or potential claims against the City as of June 30, 2022 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

The City has elected to retain risk related to employees' health insurance and workers' compensation insurance. The City does maintain insurance coverage for health insurance claims in excess of \$100,000 per person per year with an unlimited maximum per person per lifetime in anticipated claims. Claims expected to be paid using current resources are accrued in the modified accrual statements. Liabilities reported in the proprietary fund and in the government-wide statements include claims that have been incurred but not reported based on historical experience.

The City has elected to retain risk in its workers' compensation and employers' liability coverage and maintains insurance coverage for workers' compensation, each accident in excess of \$650,000 to statutory limits. An accident may involve one or more employees. Workers' compensation insurance claims reserve balance has been accrued as a liability in the governmental activities in the Statement of Net Position and the Sewer Fund.

The City pays the Anthem TPA ("Health Plan") and Risk Management Services Company ("Work Comp") a fee to administer the plans. The City has set up trust funds to use for workers' compensation and health insurance claims as needed. These funds are restricted for use for only those purposes. All claims for health insurance coverage and workers' compensation are paid out of the general fund and the sewer fund. The separate trust accounts are additional assets that have been provided if the general fund and proprietary fund appropriations are not sufficient to cover claims filed. Even though management believes there are sufficient assets to cover any claims filed, there is no guarantee that the assets available are adequate to cover all liabilities.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note I - Risk Management (Continued)

Changes in the balances of claims liabilities on the accrual basis during the past two years are as follows:

	<u>Healthcare</u>	<u>Workers Compensation</u>
Liability at June 30, 2020	\$ 69,950	\$ 347,574
Claims and Changes in Estimated in FY2021	3,013,636	341,606
Claim paid in FY2021	<u>(2,865,538)</u>	<u>(328,572)</u>
Liability at June 30, 2021	218,048	360,608
Claims and Changes in Estimated in FY2022	3,588,018	412,369
Claim paid in FY2022	<u>(3,629,141)</u>	<u>(370,899)</u>
Liability at June 30, 2022	<u><u>\$ 176,925</u></u>	<u><u>\$ 402,078</u></u>

Note J - Retirement Plans

Police and Firefighters' Retirement Fund

The Police and Firefighters' Retirement Fund is a single employer defined benefit plan administered by its own Board of Directors in accordance with KRS 95.851 to KRS 95.884. The Fund was established to provide retirement and disability benefits for retiring, disabled, or deceased personnel and their surviving spouse. On August 1, 1988, the Plan was closed to new entrants and current active-duty police and firemen of the City were given the choice of remaining in this plan or transferring into the County Employees Retirement System ("CERS").

Summary of Significant Accounting Policies and Basis of Accounting

The preparation of the financial statements of the Police and Firefighters' Retirement Fund ("PFRF") conform to the provisions of GASB Statement No. 68. For purposes of measuring the net pension liability/(asset) deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the PFRF and additions to/deductions from the PFRF fiduciary net position have been determined on the same basis as they are reported by the PFRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are stated at fair value.

Funding Status and Progress

The present value of benefits on the actuarial report dated January 1, 2022, is a measure of the present value of pension benefits estimated to be payable in the future as a result of employee service to date. An actuarial valuation is performed every three years. Significant actuarial assumptions used in determining the estimated benefits with a future cost-of-living adjustments of 3% and a rate of return of 2% include:

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note J - Retirement Plans (Continued)

Police and Firefighters' Retirement Fund (Continued)

Table 1 - Valuation Calculations

1.	Present Value of Benefits - Active Employees	\$ -
2.	Present Value of Benefits - Inactive Employees	
a)	Retiree's Benefits and Contingent Survivor Benefits	1,174,185
b)	Current Beneficiaries	1,075,851
c)	Vested Terminations	-
d)	Total - Inactive Employees	2,250,036
3.	Present Value of Benefits (1) + (2d)	2,250,036
4.	Present Value of Future Annual Service Costs	-
5.	Accrued Liabilities (3) - (4)	2,250,036
6.	Assets	3,634,038
7.	Net Pension Asset (5) - (6)	1,384,002

Actuarially Determined Contribution Requirements and Contributions Made

The method of valuation employed is the "entry age normal" cost method. Under this method, an annual service cost is established for each employee. This annual service cost is the level annual percent of pay which should have been contributed each year from the date of a member's employment until his retirement date in order to fully fund his benefits at retirement. The accrued liability represents the sum of money which would have been accumulated had these annual service costs been contributed for each year in the past for each employee currently with the City, and for all retired employees and beneficiaries. The remainder of the liabilities is for future contribution of annual service cost, which is zero for this plan since only inactive members remain in the plan.

Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL</u>	<u>Funding Ratio</u>	<u>UAAL as a % of Covered Payroll</u>
January 1, 2010	\$ 1,784,402	\$ 2,800,356	\$ 1,015,954	63.70%	N/A
January 1, 2013	5,338,199	2,791,663	-	191.20%	N/A
January 1, 2016	4,577,842	2,762,773	-	165.70%	N/A
January 1, 2019	3,865,586	2,056,080	-	188.00%	N/A
January 1, 2022	3,634,038	2,250,036	-	161.51%	N/A

Contributions

The City did not have any required contributions for the year ended June 30, 2022 and for the previous three years.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note J - Retirement Plans (Continued)

Police and Firefighters' Retirement Fund (Continued)

Net Pension Liability

The Government's net pension liability/(asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. Additional information as of the latest actuarial valuation is presented in the following table.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Position</u>	<u>Net Pension Liability/(Asset)</u>
Balances at June 30, 2021	\$ 2,056,080	\$ 3,727,559	\$ 1,671,479
Net Investment Income	-	143,188	143,188
3% Cost of Living Adjustment	193,956	-	(193,956)
Benefit Payments	-	(223,897)	(223,897)
Administrative Expenses	-	(12,812)	(12,812)
Balances at June 30, 2022	<u>\$ 2,250,036</u>	<u>\$ 3,634,038</u>	<u>\$ 1,384,002</u>

County Employees Retirement System

Plan description. Employees of the City are provided a defined benefit pension plan through the County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined pension plan administered by the Kentucky Public Pensions Authority ("KPPA"). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the County Employees Retirement System ("CERS") to a separate 9-member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at 502.564.4646.

Benefits provided. Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note J - Retirement Plans (Continued)

County Employees Retirement System (Continued)

Benefits provided - Non-hazardous. Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age plus earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Benefits provided - Hazardous. Tier 1 Hazardous members are eligible to retire with an unreduced benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must have at least 24 months. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 Hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must be 36 months. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 Hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index ("CPI") for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Non-Hazardous employees contribute 5% and Hazardous employees contribute 8% of salary if they were plan members prior to September 1, 2008. Non-Hazardous and Hazardous employees that entered the plan after September 1, 2008, are required to contribute 6% and 9%, respectively, of their annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, total employer contributions for the City were \$4,786,975, excluding sick-payouts based on a rate of 26.95% for Non-Hazardous and 44.33% for Hazardous members through covered payroll. The contribution rate of 26.95% for Non-Hazardous is comprised of amounts for pension and insurance benefits, 21.17% was dedicated to pensions and 5.78% was allocated to insurance. The total contribution rate of 44.33% for Hazardous consists of 33.86% toward pension benefits and 10.47% for insurance benefits.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note J - Retirement Plans (Continued)

County Employees Retirement System (Continued)

Net Pension Liability

The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. Actuarial assumptions. The total pension liability as of June 30, 2020. The total pension liability was rolled forward from the valuation date to the measurement date using generally accepted actuarial principles.

Actuarial assumptions. The total pension liability as of the measurement date of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return	6.25 percent for CERS 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 a base year of 2010. The mortality table used for healthy retired was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. 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 a base year of 2010.

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

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

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note J - Retirement Plans (Continued)

County Employees Retirement System (Continued)

Net Pension Liability (Continued)

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Growth		
US Equity	5.70%	21.75%
Non-US Equity	6.35%	21.75%
Private Equity	9.70%	10.00%
Specialty Credit/High Yield	2.80%	15.00%
Liquidity		
Core Bonds	0.00%	10.00%
Cash	-0.60%	1.50%
Diversifying Strategies		
Real Estate	5.40%	10.00%
Opportunistic	N/A	0.00%
Real Return	<u>4.55%</u>	<u>10.00%</u>
	<u>5.00%</u>	<u>100.00%</u>

Discount rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.25 percent, as well as the net pension liability (asset) if calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage point higher (7.25 percent) than the current rate:

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note J - Retirement Plans (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City of Frankfort's Net Pension Liability			
Nonhazardous	\$ 17,832,985	\$ 18,230,408	\$ 13,663,608
Hazardous	<u>51,027,231</u>	<u>40,032,699</u>	<u>31,072,201</u>
Total	<u>\$ 68,860,216</u>	<u>\$ 58,263,107</u>	<u>\$ 44,735,809</u>

Pension expense. For the year ended June 30, 2022, the City recognized pension expense of \$7,498,957 which included sick-time payouts.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following table:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 1,313,309	\$ 176,943
Investment Experience	1,985,559	8,712,962
Change of Assumptions	744,674	-
Changes in Proportion and Difference between Employer Contribution and Proportionate Share of Contributions	1,332,529	475,680
Contributions Subsequent to the Measurement Date of June 30, 2022	<u>4,786,975</u>	<u>-</u>
	<u>\$ 10,163,046</u>	<u>\$ 9,365,585</u>

The amount shown above for Contributions subsequent to the measurement date of June 30, 2022, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022**

Note J - Retirement Plans (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for</u>
2023	\$ 43,136
2024	(681,803)
2025	(1,250,098)
2026	<u>(2,100,749)</u>
	<u>\$ (3,989,514)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Deferred Compensation Plan

The City has a deferred compensation trust plan created in accordance with the Internal Revenue Code Section 457 for its employees who elect to participate. The trust holds the assets for the exclusive benefit of plan participants and their beneficiaries. The City does not match any portion of the contributions.

Note K - Post-Employment Benefits Other than Pensions ("OPEB")

General Information about the OPEB Plan

Plan description. Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority's County Employees' Retirement System insurance fund ("Insurance Fund"), a cost-sharing multiple-employer defined benefit OPEB plan. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note K - Post-Employment Benefits Other than Pensions ("OPEB") (Continued)

General Information about the OPEB Plan (Continued)

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employees earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City's proportion of the collective net OPEB liability and OPEB expense was determined using an actuarial valuation as of June 30, 2020. This method is expected to be reflective of the employers' long-term contribution effort.

The City's contractually required contribution rate for the year ended June 30, 2022 was 5.78% of covered payroll for non-hazardous employees and 10.47% for hazardous employees. Contributions to the Insurance Fund from the City were \$451,545 for the non-hazardous plan and \$968,810 for the hazardous plan for the year ended June 30, 2022.

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note K - Post-Employment Benefits Other than Pensions ("OPEB") (Continued)

General Information about the OPEB Plan (Continued)

Actuarial assumptions. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30-10.30 percent, varies by service for CERS nonhazardous; and 3.55-19.05 percent, varies by service for CERS hazardous
Investment rate of return	6.25 percent
Healthcare cost trend rates Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality Pre-retirement	PUB-2010 General Mortality table, for the nonhazardous system and the PUB 2010 Public Safety Mortality table for the hazardous systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note K - Post-Employment Benefits Other than Pensions ("OPEB") (Continued)

Net OPEB Liability (Continued)

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

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Growth		
US Equity	5.70%	21.75%
Non-US Equity	6.35%	21.75%
Private Equity	9.70%	10.00%
Specialty Credit/High Yield	2.80%	15.00%
Liquidity		
Core Bonds	0.00%	10.00%
Cash	-0.60%	1.50%
Diversifying Strategies		
Real Estate	5.40%	10.00%
Opportunistic	N/A	0.00%
Real Return	4.55%	10.00%
	5.00%	100.00%

Discount rate. The projection of cash flows used to determine the discount rate of 5.20% for CERS nonhazardous and 5.05% for CERS hazardous assumed 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 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30 2028, for the CERS plans.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note K - Post-Employment Benefits Other than Pensions ("OPEB") (Continued)

Net OPEB Liability (Continued)

Changes in the Net OPEB Liability

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the collective net OPEB liability as well as what the District'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 discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Hazardous	\$ 17,627,988	\$ 12,158,828	\$ 7,764,667
Nonhazardous	7,514,034	5,472,742	3,797,524
Total	<u>\$ 25,142,022</u>	<u>\$ 17,631,570</u>	<u>\$ 11,562,191</u>

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Hazardous	\$ 7,967,124	\$ 12,158,828	\$ 17,292,658
Nonhazardous	3,939,724	5,472,742	7,323,119
Total	<u>\$ 11,906,848</u>	<u>\$ 17,631,570</u>	<u>\$ 24,615,777</u>

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

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note K - Post-Employment Benefits Other Than Pensions ("OPEB") (Continued)

OPEB Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 1,240,534	\$ 2,942,070
Investment Experience	1,042,720	4,187,421
Change of Assumptions	4,500,084	9,633
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	378,950	552,412
Contributions Subsequent to the Measurement Date of June 30, 2023	<u>1,687,022</u>	<u>-</u>
Total	<u><u>\$ 8,849,310</u></u>	<u><u>\$ 7,691,536</u></u>

The amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30,
2023	\$ (199,482)
2024	(9,334)
2025	4,814
2026	(549,889)
2027	224,643
	<u><u>\$ (529,248)</u></u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note L - Concentrations

Approximately 27% of the revenue generated from the occupational tax is attributable to one entity as of June 30, 2022. Approximately 12% of the revenue generated from the insurance premiums is attributable to one entity as of June 30, 2022.

Note M - Commitments and Contingent Liabilities

The City is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the City.

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as of June 30, 2022 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Commitments

In 2008, the Commonwealth of Kentucky filed suit against the City of Frankfort, Kentucky for alleged violations of certain provisions of the Clean Water Act, including the provisions applicable to combined sewers and unpermitted sanitary sewer outfalls. The City entered into a Consent Judgment with the Commonwealth.

The City agreed to pay a fine of \$50,000 and to undertake substantial repairs to its sewer system to achieve compliance with the Clean Water Act and the applicable federal and state statutes and regulations. The City is proceeding to comply with the Consent Judgment. The improvements will take in excess of 10 years to complete.

The cost to implement the current projects necessary to remain in compliance with the Consent Judgment is anticipated to be \$30-\$50 million and the City is in substantial compliance to date.

Note N - Recent GASB Pronouncements

In June 2017, the GASB issued *Statement No. 87, Leases*. The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

This statement was implemented in the current year with no impact to the financial statements.

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note N - Recent GASB Pronouncements (Continued)

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for governments. This Statement defines an SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding an SBITA. The standards for SBITAs are based on the standards established in Statement No. 87 - *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 101 - *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

The City is currently evaluating the impact that will result from adopting the Statements No. 96 and 101 noted above and is therefore unable to disclose the impact that adopting these Standards will have on the City's financial position and the results of its operations when the Statements are adopted.

Note O - The Single Audit Act

The U.S. Office of Management and Budget's Uniform Guidance for Audits of States, Local Governments and Non-Profit Organizations (the Circular) requires non-federal entities that expend \$750,000 or more a year in Federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the City in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

Note P - Prior Period Adjustment

Beginning net assets for the proprietary funds was restated by \$88,242. This adjustment was required to correct an error and understatement of accounts payable which was increased by a corresponding amount.

Beginning net position for the governmental activities was restated by \$4,930,198. This restated was to reflect the net pension asset related to the closed retirement plan which had not previously been recorded and to capitalize construction project costs that had previously been expensed. The impact was as follows:

	As Originally Stated	Adjustment	As Restated
	<u> </u>	<u> </u>	<u> </u>
Construction in Progress	\$ -	\$ 3,258,719	\$ 3,258,719
Pension Assets	-	1,671,479	1,671,479
	<u>\$ -</u>	<u>\$ 4,930,198</u>	<u>\$ 4,930,198</u>

City of Frankfort
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note Q - Tax Abatements

As of June 30, 2022, the City provides tax abatements through real property tax abatement.

The City enters into real property tax abatement agreements per KRS statute which place a moratorium on the amounts of the property tax assessment for the property. The legislative body of an urban-county government and any city of the home rule class may by ordinance exempt manufacturing establishments, including qualified data centers, from city taxation for a period not exceeding five (5) years as an inducement to their location in the urban-county government, or city.

The City has two active property tax abatement agreement incentives and abated property taxes totaling \$1,214 during the year ended June 30, 2022.

Note R - Subsequent Events

Management has evaluated events occurring subsequent to year end through the date of the Independent Auditor's Report which represents the date the accompanying financial statements were available to be issued.

Required Supplementary Information

City of Frankfort, Kentucky
Required Supplementary Information
Schedule of the Net Pension Liability and Related Ratios Based on Participation
in the County Employees' Retirement System
Fiscal Year Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion (Percentage) of Net Pension Liability	0.64%	1.80%	1.75%	1.75%	1.84%	1.81%	1.83%	1.50%
Employer's Proportion (Amount) of Net Pension Liability	\$ 58,263,107	\$ 67,106,061	\$ 59,749,383	\$ 53,587,302	\$ 52,137,253	\$ 40,599,011	\$ 67,106,061	\$ 28,439,000
Employer's Covered-Employer payroll	\$ 17,065,396	\$ 15,317,277	\$ 17,001,279	\$ 16,053,446	\$ 15,637,234	\$ 18,214,034	\$ 16,903,522	\$ 16,904,275
Employer's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	341.41%	438.11%	351.44%	333.81%	333.42%	222.90%	396.99%	168.24%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	55.95%	46.82%	49.43%	52.40%	53.50%	55.50%	59.97%	66.80%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditor's report.

City of Frankfort, Kentucky
Required Supplementary Information
Schedule of Contributions Based on Participation in the
County Employees' Retirement System
Fiscal Year Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 4,786,975	\$ 5,697,733	\$ 5,337,668	\$ 4,497,482	\$ 4,042,106	\$ 4,046,346	\$ 3,849,061	\$ 4,103,918
Contributions in relation to the actuarially determined contribution	<u>4,786,975</u>	<u>5,697,733</u>	<u>5,337,668</u>	<u>4,497,482</u>	<u>4,042,106</u>	<u>4,046,346</u>	<u>3,849,061</u>	<u>4,000,670</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,248</u>
Covered-employee payroll	17,065,396	17,169,070	17,001,279	16,053,446	15,637,234	16,089,994	18,214,034	16,904,275
Contributions as a percentage covered- employee payroll	28.05%	33.19%	31.40%	28.02%	25.85%	25.15%	21.13%	23.67%

Notes to Schedules Related to the County Employees' Retirement System

Valuation date: Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019
Experience Date	July 1, 2013 - June 30, 2018
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 Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service (Non-Hazardous) 3.55% to 19.05% varies by service (Hazardous)
Investment Rate of Return	6.25%

See accompanying independent auditor's report.

City of Frankfort, Kentucky
Required Supplementary Information
Schedule of Net OPEB Liability and Related Ratios
Based on Participation in the County Employees' Retirement System Insurance Fund
Fiscal Year Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion (Percentage) of Net OPEB Liability	0.648%	1.799%	1.750%	1.782%	1.837%
Employer's Proportion (Amount) of Net OPEB Liability	\$ 17,631,570	\$ 20,738,275	\$ 15,463,496	\$ 15,742,236	\$ 18,799,700
Employer's Covered-Employer payroll	\$ 17,065,396	\$ 15,317,277	\$ 17,001,279	\$ 16,053,446	\$ 15,637,234
Employer's Proportionate Share (Amount) of the Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	103.32%	135.39%	90.95%	98.06%	120.22%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	64.16%	55.26%	61.75%	59.76%	53.50%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditor's report.

City of Frankfort, Kentucky
Required Supplementary Information
Schedule of Contributions Based on Participation
in the County Employees' Retirement System Insurance Fund
Fiscal Year Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Non-hazardous					
Actuarially determined contribution	\$ 1,420,355	\$ 817,248	\$ 809,261	\$ 844,411	\$ 734,950
Contributions in relation to the actuarially determined contribution	<u>(1,420,355)</u>	<u>(817,248)</u>	<u>(809,261)</u>	<u>(844,411)</u>	<u>(189,979)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 544,971</u>
Covered-employee payroll	\$ 17,065,396	\$ 17,169,070	\$17,001,279	\$16,053,446	\$15,637,234
Contributions as a percentage covered- employee payroll	4.76%	4.70%	5.26%	4.76%	4.76%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditor's report.

City of Frankfort, Kentucky
Required Supplementary Information
Notes to Schedules Related to the County Employees' Retirement System Insurance Fund
Year Ended June 30, 2022

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

Actuarial Valuation Date	June 30, 2019
Experience Date	July 1, 2013 - June 30, 2018
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 Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Investment Rate of Return	6.25%
Retirement age	65 years or 27 years of service regardless of age
Healthcare Trend Rates Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Non-Hazardous and Hazardous.

See accompanying independent auditor's report.

City of Frankfort
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Taxes				
Prior Year Taxes	\$ 63,000	\$ 63,000	\$ 56,700	\$ (6,300)
Current Year Taxes	3,100,000	3,247,000	3,270,070	23,070
Bank Shares	250,000	291,000	290,045	(955)
Franchises, etc.	35,000	49,000	48,739	(261)
Penalty and Interest	20,000	20,000	22,563	2,563
Collection Fee	25,000	35,300	35,267	(33)
Motor Vehicle Tax	306,000	359,100	392,173	33,073
Discount for Taxes	(60,000)	(60,000)	(60,858)	(858)
Total Taxes	\$ 3,739,000	\$ 4,004,400	\$ 4,054,699	\$ 50,299
Occupational Tax Receipts				
Insurance Company	\$ 3,600,000	\$ 4,168,800	\$ 4,376,250	\$ 207,450
1.95% Withholding	15,600,000	16,606,000	16,633,315	27,315
1.95% Business	2,100,000	3,381,400	3,465,463	84,063
Regulatory Fees	40,000	40,000	25,548	(14,452)
Penalty, Interest, Atty Fees	30,000	42,200	45,210	3,010
Total Occupational Tax Receipts	\$ 21,370,000	\$ 24,238,400	\$ 24,545,786	\$ 307,386
Licenses, Permits & Fines				
Parade Permits	\$ 2,200	\$ 2,200	\$ 750	\$ (1,450)
Dumpster Permit Fee	-	13,700	13,720	20
Building Permits	20,000	20,000	15,923	(4,077)
Housing Inspections	15,000	15,000	11,855	(3,145)
Total Licenses, Permits & Fines	\$ 37,200	\$ 50,900	\$ 42,248	\$ (8,652)
Parking Violations	\$ 7,500	\$ 7,500	\$ 1,785	\$ (5,715)
Charges for Services				
Recreation Fee	\$ 45,000	\$ 95,000	\$ 77,336	\$ (17,664)
Golf Course Receipts	150,000	215,000	210,415	(4,585)
Swimming Pool Receipts	230,000	230,000	294,109	64,109
Swimming Pool Concessions	85,000	85,000	112,954	27,954
Ball Field Concessions	15,000	15,000	21,754	6,754
Parking Garages	-	-	(24,654)	(24,654)
Golf Cart Rentals	150,000	200,000	197,445	(2,555)
Garbage Collection Fee	30,000	40,000	38,275	(1,725)
Total Charges for Services	\$ 705,000	\$ 880,000	\$ 927,634	\$ 47,634
Intergovernmental				
Base Court Revenue	\$ 35,000	\$ 35,000	\$ 28,337	\$ (6,663)
Plant Board Contributions	109,000	109,000	145,800	36,800
City and County Projects	900,000	900,000	1,046,488	146,488
State Participations	195,000	195,000	196,363	1,363
Grants and Aid	3,560,000	4,573,371	4,536,348	(37,023)
Police/Fire Incentive	665,000	733,000	738,978	5,978
Total Intergovernmental	\$ 5,464,000	\$ 6,545,371	\$ 6,692,314	\$ 146,943
Ambulance	\$ 1,400,000	\$ 1,705,000	\$ 1,874,151	\$ 169,151
Interest	\$ 200,000	\$ 200,000	\$ 104,104	\$ (95,896)
Public Transit				
Public Transit	\$ 750,000	\$ 1,250,000	\$ 1,179,472	\$ (70,528)
Total Public Transit	\$ 750,000	\$ 1,250,000	\$ 1,179,472	\$ (70,528)

See accompanying independent auditor's report.

City of Frankfort
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Miscellaneous	\$ 100,000	\$ 100,000	\$ 42,904	\$ (57,096)
Surplus Property	100,000	100,000	133,368	33,368
Recycling	10,000	34,000	33,557	(443)
Tower Rental	60,000	60,000	62,506	2,506
Building Rentals	22,200	22,200	17,850	(4,350)
Sewer Allocation	475,000	475,000	475,000	-
E-911 Communications	330,000	330,000	330,000	-
Wash Bay Revenue	-	-	3,559	3,559
Total Revenues	\$ 34,769,900	\$ 40,002,771	\$ 40,520,937	\$ 518,166
Expenditures:				
General Government				
City Commission	\$ 912,410	\$ 1,472,092	\$ 1,141,138	\$ 330,954
City Manager	1,437,230	1,823,630	1,658,389	165,241
IT	541,690	657,637	675,125	(17,488)
Total General Government	\$ 2,891,330	\$ 3,953,359	\$ 3,474,652	\$ 478,707
Finance	\$ 558,590	\$ 570,590	\$ 570,378	\$ 212
Insurance	\$ 3,477,780	\$ 3,577,780	\$ 3,885,582	\$ (307,802)
Public Safety				
Disaster & Emergency Mgt	\$ 215,320	\$ 215,320	\$ 191,113	\$ 24,207
Emergency Medical Serv	3,686,010	3,686,010	3,788,013	(102,003)
Fire Department	5,814,860	6,285,127	6,286,188	(1,061)
Police Department	6,448,690	6,532,721	6,463,621	69,100
Communications	1,351,400	1,351,400	1,286,384	65,016
Total Public Safety	\$ 17,516,280	\$ 18,070,578	\$ 18,015,319	\$ 55,259
Public Works				
Public Works Director	\$ 452,420	\$ 478,590	\$ 479,440	\$ (850)
Street Department	1,362,660	1,362,660	1,272,423	90,237
Garage	445,870	479,870	483,465	(3,595)
Buildings	481,080	557,080	459,190	97,890
Sanitation	1,621,910	2,374,710	2,411,977	(37,267)
Floodwall	764,890	859,290	761,747	97,543
Public Transit	1,500,380	1,500,380	1,368,207	132,173
Total Public Works	\$ 6,629,210	\$ 7,612,580	\$ 7,236,449	\$ 376,131
Parks and Recreation				
Parks and Recreation	\$ 556,560	\$ 556,560	\$ 823,219	\$ (266,659)
Juniper Hills Golf Course	759,055	759,055	754,219	4,836
Aquatic Center	407,100	407,100	493,081	(85,981)
Riverview Park	251,080	251,080	227,030	24,050
Lakeview Park	40,150	40,150	41,749	(1,599)
Fort Hill Museum St. Clair	262,140	262,140	241,636	20,504
Forestry	116,000	116,000	82,879	33,121
Sports	272,075	272,075	295,456	(23,381)
Cove Spring	125,760	125,760	117,982	7,778
Capital View Park	307,950	307,950	174,239	133,711
East Frankfort Park	248,560	248,560	138,441	110,119
Total Parks and Recreation	\$ 3,346,430	\$ 3,346,430	\$ 3,389,931	\$ (43,501)
Planning and Building Codes	\$ 646,755	\$ 783,505	\$ 624,368	\$ 159,137
Pension and Accrual Payouts	\$ 384,500	\$ 559,500	\$ 652,837	\$ (93,337)
Capital Outlay, Debt Service & Transfers	\$ 1,532,575	\$ 2,149,306	\$ 2,003,345	\$ 145,961
Total Expenditures	\$ 36,983,450	\$ 40,623,628	\$ 39,852,861	\$ 770,767

See accompanying independent auditor's report.

City of Frankfort
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess of Revenues Over Expenditures			\$ 668,076	
Fund Balances, Beginning of Year			<u>25,852,791</u>	
Fund Balances, End of Year			<u>\$ 26,520,867</u>	

See accompanying independent auditor's report.

Supplementary Information

City of Frankfort
Combining Balance Sheet - Non Major Governmental Funds
June 30, 2022

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 2,989,695	\$ 358,608	\$ 3,348,303
Investments	600,000	-	600,000
Due to/from other funds	(987,983)	1,873	(986,110)
Receivables			-
Grants	1,395,048	-	1,395,048
Charges for services	32,863	-	32,863
Accrued interest	291	-	291
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,029,914</u>	<u>\$ 360,481</u>	<u>\$ 4,390,395</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 786,399	\$ 15,041	\$ 801,440
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>786,399</u>	<u>15,041</u>	<u>801,440</u>
Fund Balances			
Fund balance, unassigned	-	-	-
Fund balance, assigned	16,540	-	16,540
Fund balance, restricted	3,226,975	345,440	3,572,415
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,243,515</u>	<u>345,440</u>	<u>3,588,955</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 4,029,914</u>	<u>\$ 360,481</u>	<u>\$ 4,390,395</u>

See accompanying independent auditor's report.

City of Frankfort
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance - Non Major Governmental Funds
Year Ended June 30, 2022

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Funds
Revenues			
Intergovernmental Revenues	\$ 5,188,467	\$ 23,677	\$ 5,212,144
Rental Income	-	740	740
Interest Income	6,833	-	6,833
Charges for Services	510,088	-	510,088
Contributions	-	-	-
Fines and Forfeitures	159,423	-	159,423
Miscellaneous	(3,737)	1,000	(2,737)
Total Revenues	\$ 5,861,074	\$ 25,417	\$ 5,886,491
Other Financing sources			
KIA Proceeds	\$ -	\$ 564,523	\$ 564,523
Operating Transfers in	616,731	150,000	766,731
Total Other Financing Sources	\$ 616,731	\$ 714,523	\$ 1,331,254
Total Revenues & Other Financing Sources	\$ 6,477,805	\$ 739,940	\$ 7,217,745
Expenditures			
General Government	\$ 72,623	\$ -	\$ 72,623
Public Safety	741,982	-	741,982
Public Works	5,008,359	532,868	5,541,227
Parks and Recreation	583,859	29,614	613,473
Planning and Building Codes	126,745	-	126,745
Total Expenditures	\$ 6,533,568	\$ 562,482	\$ 7,096,050
Other Financing Uses			
Operating Transfers Out	330,000	-	330,000
Total Expenditures and Other Financing Sources(Uses)	6,863,568	562,482	7,426,050
Over/(Under)			
Expenditures and Other Financing Uses	(385,763)	177,458	(208,305)
Fund Balances, July 1	3,629,278	167,982	3,797,260
Fund Balances, June 30	\$ 3,243,515	\$ 345,440	\$ 3,588,955

See accompanying independent auditor's report.

City of Frankfort
Combining Balance Sheet - Non Major Special Revenue Funds
June 30, 2022

	Municipal Aid	Capital Improvements	Transit Capital Sales	Tiger Grant	E-911	Telecommunications Tax	Tourism Building	Asset Forfeiture- U.S. Justice	Lost and Found	Asset Forfeiture- State	Safe Place	Frankfort/ Franklin Co LEPC	Total
Assets													
Cash and cash equivalents	\$ 900,662	\$ 273,383	\$ 22,275	\$ 826,688	\$ 282,437	\$ 125,915	\$ 16,540	\$ 105,572	\$ 311,421	\$ 121,330	\$ 3,110	\$ 362	\$ 2,989,695
Investments	500,000	-	-	-	100,000	-	-	-	-	-	-	-	600,000
Due to/from other funds	-	26,015	-	(1,109,342)	-	-	-	95,344	-	-	-	-	(987,983)
Receivables													
Grants	-	230,784	-	1,164,264	-	-	-	-	-	-	-	-	1,395,048
Charges for services	-	-	-	-	32,863	-	-	-	-	-	-	-	32,863
Accrued interest	270	-	-	-	21	-	-	-	-	-	-	-	291
Total Assets	\$ 1,400,932	\$ 530,182	\$ 22,275	\$ 881,610	\$ 415,321	\$ 125,915	\$ 16,540	\$ 200,916	\$ 311,421	\$ 121,330	\$ 3,110	\$ 362	\$ 4,029,914
Liabilities and Fund Balances													
Liabilities													
Accounts payable	\$ (4,541)	\$ 56,700	\$ -	\$ 734,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 786,399
Total Liabilities	\$ (4,541)	\$ 56,700	\$ -	\$ 734,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 786,399
Fund Balances													
Fund balance, unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, assigned	-	-	-	-	-	-	16,540	-	-	-	-	-	16,540
Fund balance, restricted	1,405,473	473,482	22,275	147,370	415,321	125,915	-	200,916	311,421	121,330	3,110	362	3,226,975
Total Fund Balances	\$ 1,405,473	\$ 473,482	\$ 22,275	\$ 147,370	\$ 415,321	\$ 125,915	\$ 16,540	\$ 200,916	\$ 311,421	\$ 121,330	\$ 3,110	\$ 362	\$ 3,243,515
Total Liabilities and Fund Balances	\$ 1,400,932	\$ 530,182	\$ 22,275	\$ 881,610	\$ 415,321	\$ 125,915	\$ 16,540	\$ 200,916	\$ 311,421	\$ 121,330	\$ 3,110	\$ 362	\$ 4,029,914

See accompanying independent auditor's report.

City of Frankfort
Combining Balance Sheet - Non Major Capital Projects Funds
June 30, 2022

	<u>Fort Hill Park</u>	<u>Stormwater</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$ 61,703</u>	<u>\$ 296,905</u>	<u>\$ 358,608</u>
Receivables			
Due to/from other funds	<u>-</u>	<u>1,873</u>	<u>1,873</u>
Total Assets	<u><u>\$ 61,703</u></u>	<u><u>\$ 298,778</u></u>	<u><u>\$ 360,481</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 13,585</u>	<u>\$ 1,456</u>	<u>\$ 15,041</u>
Total Liabilities	<u>13,585</u>	<u>1,456</u>	<u>15,041</u>
Fund Balances			
Fund balance, restricted	<u>48,118</u>	<u>297,322</u>	<u>345,440</u>
Total Fund Balance	<u>48,118</u>	<u>297,322</u>	<u>345,440</u>
Total Liabilities and Fund Balance	<u><u>\$ 61,703</u></u>	<u><u>\$ 298,778</u></u>	<u><u>\$ 360,481</u></u>

See accompanying independent auditor's report.

City of Frankfort
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Non Major Special Revenue Funds
Year Ended June 30, 2022

	Municipal Aid	Capital Improvements	Transit Capital Sales	Tiger Grant	E-911	Telecommunications Tax	Tourism Building	Asset Forfeiture-U.S. Justice	Lost and Found	Asset Forfeiture-State	Safe Place	Frankfort/Franklin Co LEPC	Total
Revenues													
Intergovernmental Revenues	\$ 847,077	\$ 518,241	\$ -	\$ 3,790,865	\$ -	\$ 32,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,188,467
Interest Income	3,206	350	-	1,890	494	268	40	163	318	104	-	-	6,833
Charges for Services	-	-	-	-	510,088	-	-	-	-	-	-	-	510,088
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	121,330	-	38,093	-	-	159,423
Miscellaneous	-	-	-	-	-	-	5	-	(5,732)	-	-	1,990	(3,737)
Total Revenues	\$ 850,283	\$ 518,591	\$ -	\$ 3,792,755	\$ 510,582	\$ 32,552	\$ 45	\$ 121,493	\$ (5,414)	\$ 38,197	\$ -	\$ 1,990	\$ 5,861,074
Other Financing sources													
Proceeds from Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	-	459,731	-	157,000	-	-	-	-	-	-	-	-	616,731
Total Other Financing Sources	\$ -	\$ 459,731	\$ -	\$ 157,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616,731
Total Revenues & Other Financing Sources	\$ 850,283	\$ 978,322	\$ -	\$ 3,949,755	\$ 510,582	\$ 32,552	\$ 45	\$ 121,493	\$ (5,414)	\$ 38,197	\$ -	\$ 1,990	\$ 6,477,805
Expenditures													
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,040	\$ -	\$ -	\$ -	\$ -	\$ 2,583	\$ 72,623
Public Safety	-	485,750	-	-	130,207	-	-	104,468	1,917	19,640	-	-	741,982
Public Works	624,981	583,163	-	3,800,215	-	-	-	-	-	-	-	-	5,008,359
Parks and Recreation	-	583,859	-	-	-	-	-	-	-	-	-	-	583,859
Planning and Building Codes	-	126,745	-	-	-	-	-	-	-	-	-	-	126,745
Total Expenditures	\$ 624,981	\$ 1,779,517	\$ -	\$ 3,800,215	\$ 130,207	\$ -	\$ 70,040	\$ 104,468	\$ 1,917	\$ 19,640	\$ -	\$ 2,583	\$ 6,533,568
Other Financing Uses													
Operating Transfers (In)/Out	-	-	-	-	330,000	-	-	-	-	-	-	-	330,000
Total Expenditures and Other Financing Sources(Uses)	624,981	1,779,517	-	3,800,215	460,207	-	70,040	104,468	1,917	19,640	-	2,583	6,863,568
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	225,302	(801,195)	-	149,540	50,375	32,552	(69,995)	17,025	(7,331)	18,557	-	(593)	(385,763)
Fund Balances, July 1	1,180,171	1,274,677	22,275	(2,170)	364,946	93,363	86,535	183,891	318,752	102,773	3,110	955	3,629,278
Fund Balances, June 30	\$ 1,405,473	\$ 473,482	\$ 22,275	\$ 147,370	\$ 415,321	\$ 125,915	\$ 16,540	\$ 200,916	\$ 311,421	\$ 121,330	\$ 3,110	\$ 362	\$ 3,243,515

See accompanying independent auditor's report.

City of Frankfort
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance - Non Major Capital Projects Funds
Year Ended June 30, 2022

	<u>Fort Hill Park</u>	<u>Stormwater</u>	<u>Total</u>
Revenues			
Interest Income	\$ 65	\$ 675	\$ 740
Rental Income	23,677	-	23,677
Miscellaneous Income	1,000	-	1,000
Total Revenues	<u>\$ 24,742</u>	<u>\$ 675</u>	<u>\$ 25,417</u>
Expenditures			
Public Works	\$ -	\$ 532,868	\$ 532,868
Parks and Recreation	29,614	-	29,614
Total Expenditures	<u>\$ 29,614</u>	<u>\$ 532,868</u>	<u>\$ 562,482</u>
Other Financing Sources/(Uses)			
Transfers in	\$ -	\$ 150,000	\$ 150,000
KIA Payable Proceeds	-	564,523	564,523
Total Other Financing Sources/(Uses)	<u>\$ -</u>	<u>\$ 714,523</u>	<u>\$ 714,523</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources(Uses)	\$ (4,872)	\$ 182,330	\$ 177,458
Fund Balances, Beginning of Year	<u>52,990</u>	<u>114,992</u>	<u>167,982</u>
Fund Balances, End of Year	<u><u>\$ 48,118</u></u>	<u><u>\$ 297,322</u></u>	<u><u>\$ 345,440</u></u>

See accompanying independent auditor's report.

City of Frankfort
Combining Statement of Changes in Assets and Liabilities - Agency Funds
June 30, 2022

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>Letter of Credit</u>				
Assets				
Cash	\$ 52,241	\$ 55	\$ -	\$ 52,296
Liabilities				
Due to Depositors	\$ 52,241	\$ 55	\$ -	\$ 52,296
<u>Transient Room Tax</u>				
Assets				
Cash/Receivables	\$ (25,320)	\$ 322,608	\$ 241,496	\$ 55,792
Liabilities				
Due to Other Government Agencies	\$ (25,320)	\$ 322,608	\$ 241,496	\$ 55,792
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 26,921	\$ 322,663	\$ 241,496	\$ 108,088
Liabilities				
Due to Depositors	\$ 52,241	\$ 55	\$ -	\$ 52,296
Due to Other Government Agencies	(25,320)	322,608	241,496	55,792
Total Liabilities	\$ 26,921	\$ 322,663	\$ 241,496	\$ 108,088

See accompanying independent auditor's report.



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 Honorable Mayor and City Commissioners
City of Frankfort

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankfort, (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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* (Continued)

Report on Compliance and Other Matters

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

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.

Lexington, Kentucky
December 15, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Honorable Mayor and City Commissioners
City of Frankfort

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Frankfort (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Frankfort complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Report on Internal Control over Compliance (Continued)

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

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

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

Lexington, Kentucky
December 15, 2022

City of Frankfort
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through to Sub-recipients
U.S. Department of the Interior				
Passed through the Kentucky Heritage Council				
Historical Preservation Fund	15.904	KY-19-10016	\$ 6,600	\$ -
Historical Preservation Fund	15.904	P2AF10399 - KY-21-10016	15,000	-
Historical Preservation Fund	15.904	ALC-14100099	40,484	-
			<u>62,084</u>	
Passed through the Kentucky Heritage Council				
Land and Water Conservation Fund	15.916	LWCF - 21-1559	143,329	-
			<u>205,413</u>	
U.S. Department of Transportation				
Passed through the Kentucky Transportation Cabinet				
Formula Grants for Rural Areas - Operating	20.509	111120300.000	936,165	-
Formula Grants for Rural Areas - Operating	20.509	111821300.000	148,143	-
Formula Grants for Rural Areas - Operating	20.509	111518300.000	96,706	-
			<u>1,181,014</u>	
Passed through the Kentucky Transportation Cabinet				
Federal Transit Cluster				
Bus and Bus Facilities Formula and Discretionary Programs	20.526	111518635.000	6,960	-
Bus and Bus Facilities Formula and Discretionary Programs	20.526	C392118111	47,393	-
Bus and Bus Facilities Formula and Discretionary Programs	20.526	C392118113	69,100	-
Bus and Bus Facilities Formula and Discretionary Programs	20.526	C392118116	12,237	-
			<u>135,690</u>	
Passed through the Kentucky Transportation Cabinet				
Highway Planning and Construction Cluster				
Recreational Trail	20.205	PO2-628-1500002151	114,722	-
			<u>1,431,426</u>	
Federal Highway Administration				
Passed through the Kentucky Office of Highway Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	SC625 2100000372 PT-2021-23	27,788	-
State and Community Highway Safety	20.600	SC625 2200000232 PT-2022-27	44,395	-
			<u>72,183</u>	
Passed through the Kentucky Transportation Cabinet				
National Infrastructure Investments - TIGER Grant	20.933	T17HC010	3,455,460	-
			<u>3,527,643</u>	
U.S Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-01D11620	128,661	-
			<u>128,661</u>	
U. S Department of Treasury				
Passed through the Kentucky Department for Local Government				
Coronavirus State and Local Fiscal Recovery Funds	21.027	KY0111	3,604,428	-
Coronavirus Relief Fund	21.019	FAP111-44-00 C2-189	206,165	-
			<u>3,810,593</u>	
U.S. Department of Homeland Security				
Passed through Kentucky Division of Emergency Management				
Emergency Management Performance Grants	97.042	FYP-89203	25,814	-
Assistance to Firefighters Grant	97.044	P3DTW5Y658G9 EMW-2020-FG-10280	191,606	-
			<u>217,420</u>	
Passed through Kentucky Office of Homeland Security				
Homeland Security Grant Program	97.067	FMW-2021-SS-00051	93,690	-
			<u>311,110</u>	
Total Expenditures of Federal Awards			<u>\$ 9,414,846</u>	
Total Amount Distributed to Subrecipients				<u>\$ -</u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

City of Frankfort
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of Federal awards ("SEFA") includes the Federal award activity of the City of Frankfort, under programs of the federal government for the year ended June 30, 2022 accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City of Frankfort, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies

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

Note C - Indirect Cost Rate

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

City of Frankfort
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X no
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X no

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

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

No matters were reported.

Section III - Major Federal Award Findings and Questioned Costs

No matters were reported.

City of Frankfort
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2022

No matters were reported.