

CITY OF MURRAY, KENTUCKY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

CITY OF MURRAY, KENTUCKY
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INTRODUCTORY SECTION

CITY OF MURRAY, KENTUCKY

June 30, 2023

CITY COUNCIL

Jeremy Bell
Alice Rouse
Linda Cherry
Danny Hudspeth
Rose Ross Elder
Johnny Bohannon
Monty McCuiston
John Mark Roberts
Joe Darnell
Wesley Bolin
Bonnie Higginson
Terry Strieter

ADMINISTRATIVE STAFF

Bob Rogers, Mayor

Kimberly Wyatt, Former Director of Finance

Tammy Roberts, Director of Finance

FINANCIAL SECTION



Honorable Mayor Bob Rogers and
Members of the City Council
City of Murray, Kentucky

Independent Auditor's Report

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 City of Murray, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States also require budgetary comparisons information, the Schedule of Net Pension Liability and Related Ratios Based on Participation in County Employees' Retirement System, the Schedule of Employer's Contributions, the Schedule of Net OPEB Liability and Related Ratios Based on Participation in County Employees' Retirement System and Schedule of Employer's OPEB Contributions be presented to supplement 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murray, Kentucky's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2024 on our consideration of the City of Murray, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Murray, Kentucky'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 City of Murray, Kentucky's internal control over financial reporting and compliance.

Romaine & Associates, PLLC

Paducah, Kentucky
Murray, Kentucky
Certified Public Accountants
March 14, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Murray's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The net position of all City activities is \$77,564,889. This represents an overall increase of \$5,842,479 over the prior year. A breakout shows an increase of \$1,720,428,387 in business-type activities and an increase of \$4,122,051 in governmental activities.
- In the General Fund, revenues and other financing sources exceed expenditures and other uses by \$1,936,062 increasing the fund balance to \$18,613,402 as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.
- All four business-type activities (Water and Sewer, Natural Gas, Sanitation, and Stormwater Utility) have a combined, positive net income totaling \$317,906 as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances Proprietary Funds.

USING THIS ANNUAL AUDIT

This annual financial report consists of a series of financial statements. The Statement of Net Position (page 9) and the Statement of Activities (pages 10-11) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements begin on page 12. For governmental activities, these statements provide an overview of how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position, page 9 and the Statement of Activities, page 10 report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets (what the citizens own) and liabilities (what the citizens owe) may serve as a way to measure the City's financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors should be considered, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the overall health of the City. In the Statement of Net Position and the Statement of Activities, the City is separated into two kinds of activities.

- Governmental activities - Most of the City's basic services are reported here, including the Police, Fire, Street, Planning and Administration departments. Property taxes, insurance premium taxes, occupational taxes, franchise fees, business licenses, and state and federal grants finance most of these activities.
- Business-type activities - The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City's Water and Sewer, Natural Gas, Sanitation, and Stormwater Utility departments are reported here.

THE CITY AS A WHOLE

Governmental Activities

- A year-over-year comparison shows General Fund revenue decreased \$4,411,121 while total Governmental Funds revenue decreased \$4,152,634. This is due to covid and care funding in the prior years.
- General Fund expenditures decreased \$1,035,874 while total Governmental Fund expenditures decreased \$839,743
- Occupational license tax (payroll tax), the largest single revenue category for the General Fund, for 2023 \$4,583,585.
- The second largest single revenue category, property taxes, \$3,702,499.
- Insurance premium tax revenue is the third largest stream of income, \$2,059,292.

Business-type Activities

Murray Water and Sewer System

- The Water and Sewer System's total operating revenues are \$11,383,216. When compared to the total operating expenses of \$9,408,294, an operating income of \$1,974,922 exists.

Murray Natural Gas System

- The Gas System's total operating revenues are \$10,077,089. When compared to the total operating expenses of \$11,101,546, operating loss of \$1,024,457 exists.

Sanitation Department

- The City entered into an agreement with Republic Services Waste Solutions on October 1, 2016 to provide refuse collection services within the City limits. The City still owns, maintains control of, and operates the Transfer Station.
- The Sanitation Department's total operating revenues are \$3,986,316, When compared to the total operating expenses of \$3,737,566, an operating income of \$248,750 exists.
-

Stormwater Utility

- The Stormwater Utility's total operating revenues are \$578,515. When compared to the total operating expenses of \$250,625 an operating income of \$327,890 exists.

City Pension Costs

The City of Murray participates in the State's CERS retirement program. Under the County Employee Retirement System (CERS) plan, employee contributions are deposited into two plans- nonhazardous and hazardous. In FY15 the City implemented Government Accounting Standards Board (GASB) Statement No. 68, which requires that the City report and fully disclose its share of net pension liability. CERS has assigned to the City its proportional share of the net pension's liability. "The net pension liability is based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined." As of June 30, 2023, the City's proportional share of net pension liability and net opeb liability is \$27,663,335, and 7,648,298, respectively, an increase of \$1,575,976 from last year. While the City reports positive balances of total net position for Governmental and Business-type Activities, disclosing the City's net liability in the County Employee Retirement System has been a driving factor of a negative unrestricted fund balance of \$8,315,348 for governmental funds, as can be seen in the Statement of Net Position page 9.

The following tables provide a summary of the City's year-over-year comparison of retirement costs:

	FYE 6/30/2023	FYE 6/30/2022	FYE 6/30/2021	FYE 6/30/2020	FYE 6/30/2019	FYE 6/30/2018	FYE 6/30/2017
Net Pension Liabilities							
Non Hazardous	\$ 11,304,587	\$ 10,335,210	\$ 12,829,317	\$ 11,932,756	\$ 8,927,778	\$ 8,855,527	\$ 8,378,843
Hazardous	\$ 16,108,551	\$ 15,355,042	\$ 17,727,010	\$ 17,784,182	\$ 14,394,390	\$ 13,427,519	\$ 11,016,022
Pension Expenses							
Non Hazardous	\$ 1,113,490	\$ 1,198,424	\$ 2,133,868	\$ 2,104,053	\$ 1,039,744	\$ 1,218,302	\$ 1,141,560
Hazardous	\$ 1,566,631	\$ 1,502,328	\$ 2,774,228	\$ 3,897,102	\$ 2,614,341	\$ 2,206,897	\$ 1,246,840

Currently the City of Murray contributes to the two CERS plans based on employee retirement wages. As can be seen below, historically the City has experienced significant increases in the amount of employee retirement costs each year. However, the CERS Board of Trustees has approved contribution rate reductions for Fiscal Years 2024 and 2025. Nonhazardous and hazardous rates will decrease by 3.63 and 5.08 percentage points, respectively, for Fiscal Year 2025.

Retirement Contribution Rates

	Nonhazardous	Hazardous
FY15-16	17.06%	32.95%
FY16-17	18.68%	31.06%
FY17-18	19.18%	31.55%
FY18-19	21.48%	35.34%
FY19-20	24.06%	39.58%
FY20-21	24.06%	39.58%
FY21-22	26.95%	44.33%
FY22-23	26.79%	49.59%
FY23-24	23.34%	43.69%
**FY24-25	19.71%	38.61%

“The CERS Board of Trustees met on December 1, 2021 and adopted CERS employer contribution rates for Fiscal Year 2023. These rates are effective July 2023 and were set in accordance with KRS 61.565(5) which caps CERS employer rate increases up to 12% over the prior fiscal year for the period of July1, 2018 to June 30, 2028.” kyret.ky.gov

**The new rates do not include the 12% year-over-year increase included in the 2018 phase-in bill.

Other Post-Employment Benefits (OPEB)

During fiscal year 2018, the City of Murray adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB). OPEB requires the City to report its proportional share of the liability for retirement benefits other than pension benefits, namely healthcare benefits. At June 30, 2023 the City's proportionate share of the net OPEB liability of the nonhazardous plan is \$3,085,648 and \$4,494,320 for the hazardous plan.

A full description of the retirement plans and the associated pension assumptions and liabilities are discussed in greater detail at Note 3-Detail Notes, part G. Retirement Plan.

A full description of Other Post-Employment Benefits (OPEB) and the associated assumptions and liabilities are discussed in greater detail at Note 3-Detail Notes, part H. Retirement Plan.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- In Governmental Activities, property, plant and equipment increased by a total cost of \$1,403,654. a net increase of \$356,175 in Machinery and Equipment, and an increase of 392,950 in Infrastructure. Net of depreciation, the total Net Capital Assets – Governmental increased by \$449,332
- In the Business-type Activities, property, plant and equipment increased by a total cost of \$2,653,369. This consists mostly of improvements to the utility systems

Debt

- There was No New debt issued in Fiscal Year 2023 for General Governmental Activities As of June 30, 2023, the total capital debt outstanding for General Governmental Activities is \$4,534,500 which is a decrease of \$430,116 over the prior year.
- No new debt was issued for Business-type Activities A reduction in debt of \$3,055,059 occurred because of principal payments during FY23. As of June 30, 2023, the total debt outstanding for Business-Type Activities is \$56,540,502.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Preliminary data for the City in fiscal year 2023 mirrors the economic uncertainty presently experienced at the State and Federal levels. Rising personnel costs – most notably in the form of healthcare and retirement expenditures – continue to compete with spending in operational areas and on capital projects. The financial impact of the COVID-19 pandemic resulted in reduced revenues for both Governmental Activities and Business-type Activities in fiscal years 2020 and 2021. The impacts of the pandemic continued into Fiscal Year 2023 with supply chain issues and inflation, which resulted in significant increases in costs of materials, supplies, and personnel. The inflationary effect will carry well into 2024 and likely will have a similar effect which may linger for years. As always, the City is constantly monitoring many factors present in today's economy and adjusting funding and expenditure measures accordingly. The City's current revenue sources appear to be adequate to provide the quality of service expected for our customers while maintaining a stable tax environment. We will continue to optimize internal and external efficiencies wherever possible in our effort to provide the greatest benefit to our stakeholders at the lowest possible cost.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director's office at 500 Main Street, Murray, Kentucky, 42071.

Respectfully submitted,

Tammy Roberts
Director of Finance

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash in banks and on hand	\$ 17,550,098	\$ 25,037,326	\$ 42,587,424
Receivables (net of allowance for uncollectible)			
Taxes	295,245		295,245
Customer		1,313,084	1,313,084
Other	2,209,631	1,322	2,210,953
Internal balances	-	164,264	164,264
Materials and supplies, at average cost	64,899	901,726	966,625
Noncurrent assets			
Right to use assets, net of amortization	71,673	166,286	237,959
Net capital assets	19,566,559	99,336,148	118,902,707
Restricted assets	2,248,223	8,878,510	11,126,733
Total assets	<u>42,006,328</u>	<u>135,798,666</u>	<u>177,804,994</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	4,543,233	2,010,098	6,553,331
Deferred outflows related to OPEB	2,597,357	1,349,086	3,946,443
Total deferred outflows	<u>7,140,590</u>	<u>3,359,184</u>	<u>10,499,774</u>
Liabilities			
Accounts payable	785,690	1,504,630	2,290,320
Accrued salaries and wages	168,978	116,602	285,580
Internal Balances	164,264	-	164,264
Other accrued liabilities	575,387	113,894	689,281
Customer deposits		746,560	746,560
Accrued interest payable		261,314	261,314
Noncurrent liabilities			
Net pension liability	19,132,894	8,530,441	27,663,335
Net OPEB liability	5,319,823	2,328,475	7,648,298
Due within one year	721,964	3,100,901	3,822,865
Due in more than one year:			
Accrued compensated absences	203,584	449,500	653,084
Notes payable	4,061,462	53,359,758	57,421,220
Lease liability	33,886	79,843	113,729
Total non-current liabilities	<u>29,473,613</u>	<u>67,848,918</u>	<u>58,188,033</u>
Total liabilities	<u>31,167,932</u>	<u>70,591,918</u>	<u>101,759,850</u>
Deferred inflows of Resources			
Deferred inflows related to pensions	3,456,493	1,291,963	4,748,456
Deferred inflows related to OPEB	2,899,080	1,332,493	4,231,573
Total deferred inflows	<u>6,355,573</u>	<u>2,624,456</u>	<u>8,980,029</u>
Net Position			
Net investment in capital assets	17,317,613	42,961,932	60,279,545
Restricted for			
CDBG funds, park and pool project	236,212		236,212
Special revenue purposes	1,687,762		1,687,762
Employee benefits	697,174		697,174
Debt service		7,952,817	7,952,817
Meter deposits		555,779	555,779
Landfill post closure reserve		369,914	369,914
Unrestricted	(8,315,348)	14,101,034	5,785,686
Total net position	<u>\$ 11,623,413</u>	<u>\$ 65,941,476</u>	<u>\$ 77,564,889</u>

**CITY OF MURRAY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR END JUNE 30, 2023**

Function/Program	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities					
General government	\$ 3,404,527	757,851	\$ 20,072	\$ -	\$ (2,626,604)
Planning and zoning	331,289				(331,289)
Police department	3,370,219		198,912		(3,171,307)
Fire department	3,588,837		219,505	550,000	(2,819,332)
Street department	1,187,913			1,279,018	91,105
Tourism	443,468	372,606			(70,862)
Municipal aid	305,833				(305,833)
E-911	445,431				(445,431)
Alcohol beverage control	389,866	650,106			260,240
Drug court awards	6,379				(6,379)
Unallocated interest expense	98,668				(98,668)
Total governmental activities	<u>13,572,430</u>	<u>\$ 1,780,563</u>	<u>\$ 438,489</u>	<u>\$ 1,829,018</u>	<u>\$ (9,524,360)</u>
Business-Type activities					
Water and sewer	10,114,357	11,249,809			1,135,452
Natural gas	11,113,787	10,003,595			(1,110,192)
Sanitation	3,737,566	3,964,298		20,000	246,732
Stormwater	250,625	578,515			327,890
Total business-type activities	<u>25,216,335</u>	<u>25,796,217</u>	<u>-</u>	<u>20,000</u>	<u>599,882</u>
Total primary government	<u>\$ 38,788,765</u>	<u>\$ 27,576,780</u>	<u>\$ 438,489</u>	<u>\$ 1,849,018</u>	<u>\$ (8,924,478)</u>

CITY OF MURRAY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR END JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in Net Position			
Net revenue (expense)	\$ (9,524,360)	\$ 599,882	\$ (8,924,478)
General Revenues			
Taxes			
Property taxes	3,702,499		3,702,499
Occupational taxes	4,948,888		4,948,888
Franchise taxes	196,876		196,876
Payments in lieu of taxes	49,994		49,994
Bank shares	246,156		246,156
Insurance tax	2,059,292		2,059,292
Telephone line charges	234,472		234,472
Intergovernmental	872,490		872,490
Interest	604,358	1,236,627	1,840,985
Gain on disposal of assets		-	-
Miscellaneous	386,386	228,919	615,305
Transfers	345,000	(345,000)	-
Total general revenues and transfers	<u>13,646,411</u>	<u>1,120,546</u>	<u>14,766,957</u>
Change in net position	4,122,051	1,720,428	5,842,479
Net position-beginning	<u>7,501,362</u>	<u>64,221,048</u>	<u>71,722,410</u>
Net position-end of period	<u>\$ 11,623,413</u>	<u>\$ 65,941,476</u>	<u>\$ 77,564,889</u>

CITY OF MURRAY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 17,388,277	\$ 161,821	\$ 17,550,098
Receivables			
Taxes (net of allowance of \$204,937)	295,245		295,245
Due from other funds	69,700	-	69,700
Other	1,672,073	471,147	2,143,220
Customer deposits			
Prepaid			
Restricted assets	236,212	1,314,837	1,551,049
Total assets	\$ 19,661,507	\$ 1,947,805	\$ 21,609,312
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 612,433	\$ 17,503	\$ 629,936
Accrued expenditures	266,749	4,585	271,334
Due to other funds	4,737	-	4,737
Accrued salaries and wages	164,186	-	164,186
Total liabilities	1,048,105	22,088	1,070,193
Fund Balances			
Restricted	236,212	1,687,762	1,923,974
Assigned-Reserve for future use			
Unassigned	18,377,190	237,955	18,615,145
Total fund balances	18,613,402	1,925,717	20,539,119
Total liabilities and fund balances	\$ 19,661,507	\$ 1,947,805	\$ 21,609,312

Reconciliation of total governmental fund balances to
net position of governmental activities

Total governmental fund balances	\$ 20,539,119
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,501,871
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	66,208
Internal service funds used to allocate costs among the funds are included in the Statement of Net Position.	(273,152)
Some liabilities are not payable in the current period and are, therefore, not reported in the funds.	(4,982,998)
Pension deferred outflow/inflows and liability	(17,706,577)
OPEB deferred outflow/inflows and liability	(5,521,058)
Net position of governmental activities	\$ 11,623,413

City of Murray, Kentucky
Statement of Revenues, Expenditures, and
Changes in Fund Balances Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 3,702,499		\$ 3,702,499
Insurance tax	2,059,292		2,059,292
Occupational tax	4,583,585		4,583,585
Transient room tax		372,606	372,606
Franchise taxes	196,876		196,876
Occupational business licenses	365,303		365,303
Payments in lieu of taxes	49,994		49,994
Bank shares	246,156		246,156
License and permits	164,837		164,837
Fines and fees	74,749		74,749
Telephone line charges		234,472	234,472
Intergovernmental revenue	310,680	561,810	872,490
Interest	530,838	43,993	574,831
Alcoholic beverage fees		650,106	650,106
Miscellaneous income	377,704	8,682	386,386
Donations	200,359		200,359
Grant funds received	2,267,507		2,267,507
Total revenues	<u>15,130,379</u>	<u>1,871,669</u>	<u>17,002,048</u>
Expenditures			
Current			
General government	3,389,918		3,389,918
Police department	3,533,399		3,533,399
Fire department	4,314,947		4,314,947
Street department	1,270,205	305,833	1,576,038
Planning and zoning	331,289		331,289
Tourism commission		489,863	489,863
E-911		445,431	445,431
Freedom fest		4,533	4,533
Drug court awards		6,379	6,379
Alcoholic beverage control		389,866	389,866
Debt service			
Principal	394,325	6,166	400,491
Interest	95,234	3,434	98,668
Total expenditures	<u>13,329,317</u>	<u>1,651,505</u>	<u>14,980,822</u>
Revenues over (under) expenditures	<u>1,801,062</u>	<u>220,164</u>	<u>2,021,226</u>
Other Financing Sources (Uses)			
Transfers from other funds	395,000		395,000
Transfers to other funds	(260,000)	210,000	(50,000)
Total other financing sources (uses)	<u>135,000</u>	<u>210,000</u>	<u>345,000</u>
Net change in fund balance	1,936,062	430,164	2,366,226
Fund balance, beginning	16,677,340	1,495,553	18,172,893
Fund balance, end of year	<u>\$ 18,613,402</u>	<u>\$ 1,925,717</u>	<u>\$ 20,539,119</u>

See Independent Auditor's Report and Notes to the Financials.

City of Murray, Kentucky
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

Net change in fund balance-total governmental funds \$ 2,366,226

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. This is the amount by which capital assets exceed depreciation in the current period. 534,117

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of the governmental funds. Neither transaction however, has any effect on net position.
 Principal payments on debt 400,491

Accrued compensated absences reported as long term liabilities in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (44,555)

Pension contributions are reported as expenditures in the governmental funds. However, pension expense in the statement of activities is primarily the result of changes in the components of the net pension liability over the current and future periods.
 Pension contributions 802,992
 Pension expense (284,653)
 OPEB expense

Internal service funds are used by management to charge the costs of certain activities, such as central garage services and employee health insurance, to individual funds. These net revenue (expense) of these internal service funds is reported with governmental activities. 347,433

Change in net position of governmental activities \$ 4,122,051

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

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Activities Internal Service
Assets						
Cash and cash equivalents	\$ 15,459,970	6,191,288	\$ 2,797,263	\$ 588,805	\$ 25,037,326	\$ -
Receivables (net of allowances)						
Customers	646,174	300,102	334,029	32,779	1,313,084	
Miscellaneous	611	583	125	3	1,322	36,411
Due from other funds	-	203,964			203,964	
Materials and supplies, at average cost	379,910	521,816			901,726	64,899
Total current assets	<u>16,486,665</u>	<u>7,217,753</u>	<u>3,131,417</u>	<u>621,587</u>	<u>27,457,422</u>	<u>101,310</u>
Noncurrent assets						
Right to use lease assets, net of amortization	64,656	87,293	13,069	1,268	166,286	5,465
Capital Assets:						
Construction in progress	-		136,438		136,438	
Utility plant in service	127,377,847	11,208,969			138,586,816	
Land	443,997	924,980	54,524		1,423,501	
Buildings	927,192	2,552,972	502,813		3,982,977	225,000
Machinery and equipment	3,423,689	2,618,752	1,377,768	92,384	7,512,593	273,678
Drainage improvement				3,298,081	3,298,081	
Accumulated depreciation	(44,832,857)	(8,436,588)	(1,568,903)	(765,910)	(55,604,258)	(433,990)
Restricted assets	7,952,817	555,779	369,914		8,878,510	697,174
Total noncurrent assets	<u>95,357,341</u>	<u>9,512,157</u>	<u>885,623</u>	<u>2,625,823</u>	<u>108,380,944</u>	<u>767,327</u>
Total assets	<u>111,844,006</u>	<u>16,729,910</u>	<u>4,017,040</u>	<u>3,247,410</u>	<u>135,838,366</u>	<u>868,637</u>
Deferred Outflows of Resources						
Deferred outflows related to pensions	1,079,367	819,385	79,115	32,231	2,010,098	87,371
Deferred outflows related to OPEB	724,423	549,933	53,098	21,632	1,349,086	58,640
Total deferred outflows	<u>1,803,790</u>	<u>1,369,318</u>	<u>132,213</u>	<u>53,863</u>	<u>3,359,184</u>	<u>146,011</u>

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

Liabilities

Current Liabilities

Accounts payable	474,920	662,203	337,325	30,182	1,504,630	155,754
Accrued salaries and wages	63,081	46,127	5,383	2,011	116,602	4,792
Accrued compensated absences	261,294	117,694	38,103	32,409	449,500	32,433
Accrued liabilities	26,794	24,666	62,434		113,894	304,053
Due to other funds	33,977	5,716	7	-	39,700	199,227
Current portion of lease liability	35,630	39,391	11,031	391	86,443	1,315
Current portion of bonds/notes payable	3,014,458				3,014,458	
Customer deposits	337,125	409,435			746,560	
Accrued interest:						
Bonds	20,487				20,487	
Customer deposits	94,483	146,344			240,827	
Total current liabilities	<u>4,362,249</u>	<u>1,451,576</u>	<u>454,283</u>	<u>64,993</u>	<u>6,333,101</u>	<u>697,574</u>

Noncurrent liabilities

Net pension liability	4,580,618	3,477,291	335,746	136,786	8,530,441	370,790
Net OPEB liability	1,250,350	949,145	91,644	37,336	2,328,475	101,209
Bond/notes payable	53,359,758				53,359,758	
Lease liability	29,026	47,902	2,038	877	79,843	4,150
Total noncurrent liabilities	<u>59,219,752</u>	<u>4,474,338</u>	<u>429,428</u>	<u>174,999</u>	<u>64,298,517</u>	<u>476,149</u>

Total liabilities

	<u>63,582,001</u>	<u>5,925,914</u>	<u>883,711</u>	<u>239,992</u>	<u>70,631,618</u>	<u>1,173,723</u>
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Deferred Inflows of Resources

Deferred inflows related to pensions	693,750	526,646	50,850	20,717	1,291,963	56,158
Deferred inflows related to OPEB	715,513	543,168	52,445	21,367	1,332,493	57,919
Total deferred inflows	<u>1,409,263</u>	<u>1,069,814</u>	<u>103,295</u>	<u>42,084</u>	<u>2,624,456</u>	<u>114,077</u>

Net Position

Net investment in capital assets	30,965,652	8,869,085	502,640	2,624,555	42,961,932	64,688
Restricted for						
Meter Deposits		555,779			555,779	697,174
Debt service	7,952,817				7,952,817	
Landfill post closure reserve			369,914		369,914	
Unrestricted	9,738,063	1,678,636	2,289,693	394,642	14,101,034	(1,035,014)
Total net position	<u>\$ 48,656,532</u>	<u>\$ 11,103,500</u>	<u>\$ 3,162,247</u>	<u>\$ 3,019,197</u>	<u>\$ 65,941,476</u>	<u>\$ (273,152)</u>

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION PROPRIETARY FUNDS
For The Year Ended June 30, 2023

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Operating Revenues						
Charges for services	\$11,153,509	\$ 9,914,057	\$3,964,298	\$ 578,515	\$ 25,610,379	\$ -
Interfund service provided					-	738,818
Tap-on fees	96,300	89,538			185,838	
Miscellaneous revenues	133,407	73,494	22,018	-	228,919	
Contributions to medical: insurance fund					-	2,446,182
Total operating revenues	<u>11,383,216</u>	<u>10,077,089</u>	<u>3,986,316</u>	<u>578,515</u>	<u>26,025,136</u>	<u>3,185,000</u>
Operating Expenses						
Water plant expenses	1,124,240				1,124,240	
Sewer plant expenses	1,975,403				1,975,403	
Water and sewer field operations	1,655,509				1,655,509	
Gas purchased		7,724,589			7,724,589	
Engineering operations	130,774				130,774	
General office operations	435,316				435,316	
Administration expenses	723,603				723,603	606,692
Other operating expenses					-	740,758
Depreciation and amortization	3,363,449	426,688	51,142	99,611	3,940,890	20,768
Gas plant expenses		2,950,269			2,950,269	
Transfer station and landfill expenses			3,686,424		3,686,424	
Stormwater expenses				151,014	151,014	
Medical claims paid					-	1,498,876
Total operating expenses	<u>9,408,294</u>	<u>11,101,546</u>	<u>3,737,566</u>	<u>250,625</u>	<u>24,498,031</u>	<u>2,867,094</u>
Operating income (loss)	<u>1,974,922</u>	<u>(1,024,457)</u>	<u>248,750</u>	<u>327,890</u>	<u>1,527,105</u>	<u>317,906</u>
Non-operating Revenues (Expenses)						
Interest and dividend income	882,802	227,396	103,747	22,682	1,236,627	29,527
Interest expense	(706,063)	(12,241)		-	(718,304)	
Contributed capital	-	-	20,000		20,000	
Total non-operating revenues (expenses)	<u>176,739</u>	<u>215,155</u>	<u>123,747</u>	<u>22,682</u>	<u>538,323</u>	<u>29,527</u>
Income before transfers	2,151,661	(809,302)	372,497	350,572	2,065,428	347,433
Operating Transfers						
From (to) other funds	(115,000)	(115,000)	(115,000)		(345,000)	
Change in net position	<u>2,036,661</u>	<u>(924,302)</u>	<u>257,497</u>	<u>350,572</u>	<u>1,720,428</u>	<u>347,433</u>
Net position-beginning of period	46,619,871	12,027,802	2,904,750	2,668,625	64,221,048	(620,585)
Net position-end of period	<u>\$ 48,656,532</u>	<u>\$ 11,103,500</u>	<u>\$ 3,162,247</u>	<u>\$ 3,019,197</u>	<u>\$ 65,941,476</u>	<u>\$ (273,152)</u>

CITY OF MURRAY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended June 30, 2023

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Activities Internal Service
Cash Flows From Operating Activities						
Cash received from customers	\$ 11,416,974	\$ 10,393,710	\$ 3,982,168	\$ 589,410	\$ 26,382,262	\$ -
Cash paid to suppliers	(4,285,852)	(8,595,404)	(2,953,373)	(45,280)	(15,879,909)	(564,115)
Cash paid for employees and benefits	(1,720,432)	(1,999,270)	(630,677)	(87,509)	(4,437,888)	(170,531)
Cash received from interfund services provided					-	764,691
Customer deposits received (refunded)	24,167	13,515			37,682	
Net cash provided by operating activities	<u>5,434,857</u>	<u>(187,449)</u>	<u>398,118</u>	<u>456,621</u>	<u>6,102,147</u>	<u>30,045</u>
Cash Flow From Noncapital Financing Activities						
Transfer to other funds	(115,000)	(115,000)	(115,000)		(345,000)	
Advances from/(to) other funds	119,774	(4,189)	7	(11,305)	104,287	
Net cash provided (used) by noncapital financing activities	<u>4,774</u>	<u>(119,189)</u>	<u>(114,993)</u>	<u>(11,305)</u>	<u>(240,713)</u>	<u>-</u>
Cash Flows From Capital And Related Financing Activities						
Capital contributions	-	-	20,000		20,000	
Acquisition and construction of capital assets	(1,656,171)	(236,224)	(14,537)	(431,451)	(2,338,383)	(13,864)
Proceeds from debt	-				-	
Principal paid on capital debt	(2,985,244)				(2,985,244)	
Interest paid on capital debt	(696,147)				(696,147)	
Principal paid on capital lease	(27,965)	(32,392)	(9,224)	(234)	(69,815)	(1,012)
Interest paid on customer deposits	(9,916)	(12,241)			(22,157)	
Net cash provided (used) by capital and related financing activities	<u>(5,375,443)</u>	<u>(280,857)</u>	<u>(3,761)</u>	<u>(431,685)</u>	<u>(6,091,746)</u>	<u>(14,876)</u>
Cash Flows From Investing Activities						
Interest and dividends	882,802	227,396	103,747	22,682	1,236,627	29,527
Net cash provided by investing activities	<u>882,802</u>	<u>227,396</u>	<u>103,747</u>	<u>22,682</u>	<u>1,236,627</u>	<u>29,527</u>
Net increase (decrease) in cash and cash equivalents	946,990	(360,099)	383,111	36,313	1,006,315	44,696
Cash and cash equivalents at beginning of year	22,465,797	7,107,166	2,414,152	552,492	32,539,607	652,478
Cash and cash equivalents at end of year	<u>\$ 23,412,787</u>	<u>\$ 6,747,067</u>	<u>\$ 2,797,263</u>	<u>\$ 588,805</u>	<u>\$ 33,545,922</u>	<u>\$ 697,174</u>
Cash and cash equivalents are included on the Statement of Net Position as:						
Cash and cash equivalents	\$ 15,459,970	\$ 6,191,288	\$ 2,427,349	\$ 588,805	\$ 24,667,412	
Restricted assets	7,952,817	555,779	369,914		8,878,510	697,174
Total	<u>\$ 23,412,787</u>	<u>\$ 6,747,067</u>	<u>\$ 2,797,263</u>	<u>\$ 588,805</u>	<u>\$ 33,545,922</u>	<u>\$ 697,174</u>

See Independent Auditor's Report and Notes to the Financials.

CITY OF MURRAY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2023

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Activities Internal Service
Reconciliation of Operating Income (loss) to						
Net Cash Provided (Used) by Operating Activities						
Operating income	\$ 1,974,922	\$ (1,024,457)	\$ 248,750	\$ 327,890	\$ 1,527,105	\$ 317,906
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization expense	3,363,449	426,688	51,142	99,611	3,940,890	20,768
Pension/OPEB expense	(38,734)	(29,407)	(2,840)	(1,154)	(72,135)	(3,134)
(Increase) Decrease in operating assets:						
Receivables-customers	33,871	316,822	(4,130)	10,392	356,955	10,704
Receivables-others	(113)	(201)	(18)	403	71	-
Prepays	245	245	163		653	
Inventory	(50,289)	(287,391)			(337,680)	13,029
Increase (Decrease) in operating liabilities:						
Accounts payable	(160,601)	394,106	85,624	14,545	333,674	(3,167)
Accrued expenses	287,940	2,631	19,427	4,834	314,832	(322,955)
Customer deposits	24,167	13,515			37,682	
Due to other funds					-	(4,119)
Net cash provided by operating activities	<u>\$ 5,434,857</u>	<u>\$ (187,449)</u>	<u>\$ 398,118</u>	<u>\$ 456,521</u>	<u>\$ 6,102,047</u>	<u>\$ 29,032</u>

CITY OF MURRAY, KENTUCKY
STATEMENT OF FIDUCIARY FUNDS
NET POSITION
June 30, 2023

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	
	<u>Employee Retirement</u>	<u>Cemetery</u>	<u>Totals</u>
Assets			
Restricted assets			
Cash	\$ 7,378	\$ 4,085	\$ 11,463
Receivable		9	9
Investments, at fair value	<u>1,652,873</u>		<u>1,652,873</u>
Total assets	<u>1,660,251</u>	<u>4,094</u>	<u>1,664,345</u>
Liabilities			
Accounts payable		<u>13,035</u>	<u>13,035</u>
Total liabilities	<u>-</u>	<u>13,035</u>	<u>13,035</u>
Net Position			
Assets held (owed) in trust for pension benefits and other purposes	<u>\$ 1,660,251</u>	<u>\$ (8,941)</u>	<u>\$ 1,651,310</u>

CITY OF MURRAY, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For The Year Ended June 30, 2023

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	
	<u>Employee Retirement</u>	<u>Cemetery</u>	<u>Totals</u>
Additions			
Contributions	\$ 257,266	\$ 60,000	\$ 317,266
Cemetery sales		69,356	69,356
Investment income:			
Interest and dividends	17,626	2,588	20,214
Net change in fair value investments	117,690		117,690
Gain on sale of assets	20,827		20,827
Total additions	<u>413,409</u>	<u>131,944</u>	<u>545,353</u>
Deductions			
Benefits	170,002		170,002
Administrative expenses	10,358	37,232	47,590
Repairs and maintenance		173,215	173,215
Total deductions	<u>180,360</u>	<u>210,447</u>	<u>390,807</u>
Change in net position	233,049	(78,503)	154,546
Net position, beginning of year, restated	<u>1,427,202</u>	<u>69,562</u>	<u>1,496,764</u>
Net position (deficient), end of year	<u>\$ 1,660,251</u>	<u>\$ (8,941)</u>	<u>\$ 1,651,310</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MURRAY, KENTUCKY
NOTES TO FINANCIAL
STATEMENTS June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Murray, Kentucky was incorporated in 1844, and operates under an elected Mayor-Council form of government, and provides the following services as authorized: public safety (police and fire), streets, planning and zoning, general administrative services, cemetery, and utilities (water and sewer system, natural gas system, sanitation department, and stormwater system).

Blended Component Units Reported with the Primary Government

Blended component units provide services exclusively or almost exclusively for the City, or their board of directors are substantially the same as the City Council. The following blended component units are reported:

Murray Convention and Visitors Bureau

The Murray Convention and Visitors Bureau was formed by Ordinance Number 808 of the City Council of the City of Murray on January 24, 1985, and amended on October 26, 1989, and again on May 13, 2010 and operates under the continuing authority of KRS 91A.350 through 91A.390 and other related Kentucky statutes. The purpose of the Murray Convention and Visitors Bureau is to promote the economic growth of Murray through expenditure of the transient room tax to attract conventions, tournaments, meetings, and visitors to the area by acting as an aggressive sales, marketing, and service organization. The MCVB fund is included in the City's non-major governmental funds.

Complete financial statements for the Murray Convention and Visitors Bureau may be obtained at 206 South 4th Street, Murray, Kentucky 42071.

B. Basis of Presentation – Fund Accounting

The accounts of the City of Murray are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The City has various types of funds as defined below.

Governmental funds

These are the funds through which most governmental functions typically are financed.

The funds included in this category are as follows:

General Fund – This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established. The General Fund is considered a major fund.

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes. The City has no major special revenue funds for the current year.

Proprietary funds

These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are:

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Major enterprise funds are the natural gas, water and sewer, and sanitation department.

Internal Service Funds – These funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

CITY OF MURRAY, KENTUCKY
NOTES TO FINANCIAL
STATEMENTS June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fiduciary funds

These funds account for assets held by the City as a trustee or agent for individuals, private organizations, and other units of governments. These funds consist of the following fund types:

Pension Trust Fund – This fund was established to provide pension benefits for employees of the police and fire departments who were not transferred to the hazardous service coverage of CERS.

Nonexpendable Trust Fund – This fund is used to account for the maintenance of the cemetery.

C. Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all funds of the primary government except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements. The government-wide Statement of Activities presents a comparison between expenses and program revenues. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants received that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which governmental functions are self-financing or draw from the general revenues of the City. Direct expenses are those that are clearly identifiable within a specific function or activity.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of the governmental and enterprise fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are aggregated and presented in a single column on the face of the proprietary funds statements. Governmental fund types use the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as susceptible to accrual).

Revenues are measurable when they are subject to reasonable estimation, while the collection will occur either (1) during the current period or (2) after the end of the period but in time to pay fund liabilities. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues (including taxpayer-assessed taxes), fees, and nontax revenues are recognized when received. Grants, entitlements, and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Property tax revenues are recognized when they are levied, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt which is recorded when due. Fiduciary funds account for assets held by the City in a trustee capacity. These funds use the accrual basis of accounting and the economic resources measurement focus.

CITY OF MURRAY, KENTUCKY
 NOTES TO FINANCIAL
 STATEMENTS June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Cash and cash equivalents

For purposes of the proprietary statement of cash flows, the City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and readily convertible to cash.

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Interfund receivables and payables arise from activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are identified as due to/due from other funds.

F. Investments

The City's investment policy requires that funds held by the City be invested in obligations of the U.S. government or U.S. government agencies, or certificates of deposit or similar instruments of banks or savings and loan institutions. Investments are stated at cost, which approximates market, in all funds except the Police and Firemen's Pension Fund. Investments for this fund are stated at fair value.

G. Capital Assets

The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In government-wide and proprietary fund financial statements, capital assets are recorded at historical cost or estimated historical cost if actual is unavailable. It is the City's policy to capitalize expenditures greater than or equal to \$1,000 with an estimated useful life greater than one year. Donated capital assets are recorded at estimated fair market value at the date of donation. Estimated historical cost was used to value infrastructure assets acquired prior to July 1, 2002, in the governmental activities. Depreciation expense is recorded in the statement of activities, and accumulated depreciation is reflected in the statement of net position. In the governmental fund statements, capital assets are accounted for as capital expenditures of the funds upon acquisition. Capital assets acquired for proprietary funds are capitalized within the respective funds. Depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable assets are as follows:

	Useful Life (Years)
Infrastructure	25 - 50
Utility Plant	33 - 50
Machinery and equipment	5 - 20
Buildings	25 - 33
Vehicles	4 - 5

H. Restricted Assets

Because of certain requirements, the City established and maintains prescribed amounts of resources (consisting of cash and temporary investments) that can be used only for specified purposes.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has both deferred outflows and deferred inflows related to its pension plan and other post-employment benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Compensated Absences

Under terms of employment, the City provides full-time employees with paid vacation and sick leave in varying amounts based on years of service. Employees who have accrued 36 days unused sick leave at the end of the fiscal year are paid for 75% of the sick leave accrued. Employees who have met the minimum accruals and have one or more days of sick leave are paid 50% of the sick leave accrued at the end of the fiscal year. All unused sick leave may be carried forward to apply toward the maximum accrual of 180 days. Employees who have successfully met retirement requirements and have received approval for retirement from the Kentucky Retirement System may elect to either be compensated for 50% of accrued sick leave or apply toward early retirement. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. For governmental fund financial statements, a liability is recorded only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

K. Pensions

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

L. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported in the government-wide statements. The long-term debt consists primarily of notes payable and bonds payable. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources and repayments as expenditures. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

M. Equity Classification

Equity in the government-wide statements is classified as net position and displayed in three components:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of assets subject to external constraints on their use imposed by creditors, laws or regulations of other governments. This component would also include constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets”. Generally, these net assets represent those financial resources that are available to the Board to meet any future obligations that might arise.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund classification includes amounts that cannot be spent because they are either (1) not in spendable form – prepaid items or inventories; or (2) legally or contractually required to be maintained intact. At June 30, 2022, none of the City's fund balances were classified as nonspendable.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources, either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

CITY OF MURRAY, KENTUCKY
NOTES TO FINANCIAL
STATEMENTS June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Equity Classification- Continued

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by ordinances of the city council – the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the city council removes the specified use by taking the same kind of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The city council and the mayor have the authority to assign amounts to be used for specific purposes through executive or municipal orders.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. Unassigned fund balance in the general fund is the net resources in excess of what can be properly classified in one of the above four categories.

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

O. Property Tax Revenue

Property taxes are levied on September 30 based on the assessed value of property as listed on the previous January 1, and are due on the following October 31. Assessed values are an approximation of market value. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

P. Postemployment Healthcare Benefits

The City does not provide postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) and those provided by CERS. The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City.

Q. Postemployment Employment Benefits Other Than Pensions-(OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees’ 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 benefit terms. Investments are reported at fair value.

R. Right to Use Assets

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and the Budgetary Process

The City Council adopts an annual operating budget, which can be amended by the council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City; however, legal budgets are adopted only for the General Fund and Special Revenue Funds. All budgets adopted are prepared in accordance with generally accepted accounting principles.

At the fund level, actual expenditures cannot exceed budgeted appropriations. However, with proper approval by the City Council, budgetary transfers between departments can be made. All budget amendments were approved by the City Council and are included in the “final budget” column of the General Fund budgetary statement presented as required supplementary information.

CITY OF MURRAY, KENTUCKY
 NOTES TO FINANCIAL
 STATEMENTS June 30, 2023

NOTE 3 – DETAIL NOTES

A deficit of \$527,421 exists in the Central Garage Fund as of June 30, 2023, resulting from excess expenditures incurred and the during the current and prior years. The general fund is liable for any deficit in this fund and provides transfers when cash is required.

A. Deposits with Financial Institutions

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents and restricted assets. The City’s investment policy requires that funds held directly by the City be invested in obligations of the United States government or United States government agencies, or certificates of deposit or similar instruments of banks or savings and loan institutions. Custodial credit risk of deposits is the risk that in the event of a bank failure the government’s deposits may not be returned to it. Interest-bearing and non-interest-bearing deposits are each covered by federal depository insurance up to \$250,000. Deposits over the insured amounts are covered by collateral held by the City’s agent in the City’s name. At June 30, 2023, all bank balances were covered by insurance or adequately collateralized. All funds are classified as public funds.

B. Investments

The City’s investments are held in trust and asset management accounts for the Police and Fireman’s Pension Fund. Investments at June 30, 2023, are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Equity	\$1,133,044	68.2%
Fixed Income	528,680	31.8%
	<u>\$1,661,724</u>	100%

Custodial credit risk – This is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The investments listed above are exposed to custodial credit risk in that they are uninsured and held by the counterparty’s trust department in the City’s name.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the City’s investments were rated as shown in the above table.

Concentrations of credit risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy as required by KRS 66.480 does not place a fixed percentage limit for any one issuer.

NOTE 3 – DETAIL NOTES – (Continued)

C. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The property assessment date is January 1, with taxes levied on September 30 and due on October 31. Property taxes receivable as of June 30, 2023, are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2022	\$ 281,849
2021	73,101
2020	64,504
2019	50,418
2018	<u>30,310</u>
Total Property Taxes Receivable	500,182
Less Allowance For Uncollectible	<u>(204,937)</u>
Net Property Taxes Receivable	<u><u>\$ 295,245</u></u>

D. Interfund Transactions

Interfund receivables and payables at June 30, 2023, for operating expenses were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 164,264	\$ -
Business Type		<u>164,264</u>
Total Due To	<u><u>\$ 164,264</u></u>	<u><u>\$ 164,264</u></u>

The following interfund transfers were made during the year:

	<u>Water & Sewer</u>	<u>Gas</u>	<u>Sanitation</u>	<u>Total Transfers In</u>
General Fund	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$345,000</u>
Total Transfers Out	<u><u>\$ 115,000</u></u>	<u><u>\$ 115,000</u></u>	<u><u>\$ 115,000</u></u>	<u><u>\$345,000</u></u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property Plant & Equipment

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 728,939	\$ -	\$ -	\$ 728,939
Construction in Progress	3,245,012	635,529	(59,131)	3,821,410
Total Capital Assets Not Being Depreciated	<u>\$ 3,973,951</u>	<u>\$ 635,529</u>	<u>\$ (59,131)</u>	<u>\$ 4,550,349</u>
Capital Assets, Being Depreciated:				
Buildings	4,717,864	20,000	(150,000)	4,587,864
Machinery and equipment	5,115,802	355,175		5,470,977
Infrastructure	15,899,362	392,950		16,292,312
Total Capital Assets Being Depreciated	<u>\$ 25,733,028</u>	<u>\$ 768,125</u>	<u>\$ (150,000)</u>	<u>\$ 26,351,153</u>
Less Accumulated Depreciation For:				
Buildings	(1,702,306)	(250,901)	131,250	(1,821,957)
Machinery and equipment	(3,222,448)	(299,429)		(3,521,877)
Infrastructure	(5,664,998)	(326,111)		(5,991,109)
Total Accumulated Depreciation	<u>\$ (10,589,752)</u>	<u>\$ (876,441)</u>	<u>\$ 131,250</u>	<u>\$ (11,334,943)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 15,143,276</u>	<u>\$ (108,316)</u>	<u>\$ (18,750)</u>	<u>\$ 15,016,210</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,117,227</u>	<u>\$ 527,213</u>	<u>\$ (77,881)</u>	<u>\$ 19,566,559</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property Plant & Equipment

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital assets not being depreciated				
Land	\$ 1,423,501	\$ -		\$ 1,423,501
Construction in progress	868,079		(731,641)	136,438
Total capital assets not being depreciated	<u>2,291,580</u>		<u>(731,641)</u>	<u>1,559,939</u>
Capital assets being depreciated				
Buildings	3,968,060	14,917		3,982,977
Machinery and equipment	7,397,243	115,350		7,512,593
Drainage improvement	2,864,420	433,661		3,298,081
Utility plant	136,497,375	2,089,441		138,586,816
Total capital assets being depreciated	<u>\$ 150,727,098</u>	<u>\$ 2,653,369</u>	<u>\$ -</u>	<u>\$ 153,380,467</u>
Total Accumulated Depreciation	<u>\$ (51,798,792)</u>	<u>\$ (3,940,890)</u>	<u>\$ 135,424</u>	<u>\$ (55,604,258)</u>
Total capital assets being depreciated (net)				
Business-type activities capital assets, net	<u>\$ 101,219,886</u>	<u>\$ (1,287,521)</u>	<u>\$ (596,217)</u>	<u>\$ 99,336,148</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 29,794
Police department	185,603
Fire department	244,731
Street department	383,484
Tourism	12,061
Central garage	20,768
	<u>\$ 876,441</u>

NOTE 3 – DETAIL NOTES – (Continued)

F. Right to Use Assets

	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
<u>Right to use assets-Governmental Activities</u>				
Leased fleet vehicles	\$ 96,644			\$ 96,644
Total right to use assets	<u>\$ 96,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,644</u>
Less Accumulated amortization For:				
Leased fleet vehicles	(811)	(24,160)		(24,971)
Total Accumulated Amortization	<u>\$ (811)</u>	<u>\$ (24,160)</u>	<u>\$ -</u>	<u>\$ (24,971)</u>
Governmental Activities Right to use, Net	<u>\$ 95,833</u>	<u>\$ (24,160)</u>	<u>\$ -</u>	<u>\$ 71,673</u>

	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
<u>Right to use assets-Buisness-Type Activities</u>				
Leased fleet vehicles	\$ 552,166	\$ -	\$ -	\$ 552,166
Total right to use assets	<u>552,166</u>			<u>552,166</u>
Less Accumulated amortization For:				
Leased fleet vehicles	(316,065)	(69,815)		(385,880)
Total Accumulated Amortization	<u>(316,065)</u>	<u>(69,815)</u>		<u>(385,880)</u>
Business-Type Activities Right to use, Net	<u>\$ 236,101</u>	<u>\$ (69,815)</u>	<u>\$ 0</u>	<u>\$ 166,286</u>

G. Retirement Plan

The City of Murray is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications and 49.59% of each employee's wages for hazardous job classifications.

The contributions are allocated to both the pension and insurance trusts. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 40.86% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2023, the City contributed \$ 1,113,490 or 100% of the required contribution for non-hazardous job classifications, and \$1,566,631 , for the year ended June 30, 2023, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Tier 2	Tier 3	Participation date	Before September 1, 2008	Unreduced retirement	At least 27 years' service or 65 years old and 4 years' service
			September 1, 2008 - December 31, 2013	Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal to 87+	Reduced retirement
			After December 31, 2013	Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal to 87+	Reduced retirement

retirement Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities- At June 30, 2023, the City reported a liability of \$ 11,304,587 for its proportionate share of the net pension liability of the nonhazardous plan and \$16,108,551 for the hazardous plan. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was 0.1563 percent for the nonhazardous plan and 0.5279 percent for the hazardous plan.

Pension Expense- For the year ended June 30, 2023, the city recognized pension expense of \$1,113,490 for the nonhazardous plan and \$1,566,631 for the hazardous plan.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		
CERS Nonhazardous	\$ 12,086	\$ 100,672
CERS Hazardous	461,861	-
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	1,538,216	1,248,407
CERS Hazardous	1,796,896	1,424,833
Change of assumptions		
CERS Nonhazardous	-	
CERS Hazardous	-	
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous	-	363,037
CERS Hazardous	-	1,580,211
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	\$ 1,113,490	
CERS Hazardous	1,566,631	
Total	<u>\$ 6,489,180</u>	<u>\$ 4,717,160</u>

The deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2024	\$ (675,355)
2025	(422,101)
2026	(443,794)
2027	633,149
	<u>\$ (908,101)</u>

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan

Actuarial Assumptions- The total pension liability is based on an actuarial valuation date of June 30, 2020, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary Increases	3.30-10.30%, varies by service non hazardous, 3.55 to 19.05, hazardous
Investment Rate of Return	6.25 percent., net of pension plan investment expense including inflation
Payroll Growth Rate	2.00 percent

Mortality rates were based on the Pub-2010 General Mortality Table 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 members 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 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 MP2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019; actuarial valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2022. 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
US Equity	0.00%	N/A
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	28.00%
Core Bonds	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Opportunistic	0.00%	N/A
Real Return	13.00%	4.07%
Expected Real Return	100%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1- percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
CERS:			
Nonhazardous-Net Pension Liability	<u>\$ 14,129,331</u>	<u>\$ 11,304,587</u>	<u>\$ 7,918,824</u>
Hazardous-Net Pension Liability	<u>\$ 20,065,837</u>	<u>\$ 16,108,551</u>	<u>\$ 12,885,587</u>

Murray Convention and Visitors Bureau

Employees of the Murray Convention and Visitors Bureau, which is reported as a special revenue fund of the City, have an individual employer account with CERS. The basic information about the pension plan has been reported above. Therefore, only those items specific to the Murray Convention and Visitors Bureau are included here.

Contributions - The Murray Convention and Visitors Bureau's contributions to the plan for the year ended June 30, 2023, were \$21,799.

Pension Liabilities - At June 30, 2023, the Murray Convention and Visitors Bureau reported a liability of \$250,196 for its proportionate share of the net pension liability of the plan.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Bureau's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Bureaus' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS:			
Nonhazardous-Net Pension Liabilit	<u>\$ 312,714</u>	<u>\$ 250,196</u>	<u>\$ 198,489</u>

Pension Expense - For the year ended June 30, 2023, the Murray Convention and Visitors Bureau recognized pension expense of \$23,618.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2023, the Murray Convention and Visitors Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 267	\$ 2,228
Difference between projected and actual investment earnings on Plan investments	34,044	27,630
Change of assumptions	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,930	1,437
Employer contributions subsequent to the measurement date	<u>24,909</u>	
Total	<u>\$ 64,150</u>	<u>\$ 31,295</u>

The deferred outflows of resources resulting from the Murray Convention and Visitors Bureau's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2024	\$ 747
2025	2,195
2026	(2,103)
2027	<u>7,107</u>
	<u>\$ 7,946</u>

Police and Firemen's Pension Fund

On August 1, 1988, the city adopted an ordinance to participate in the CERS plan (described above) for all current employees of the police and fire departments, as well as those hired after August 1, 1988. Former employees of the police and fire departments who were receiving benefits on August 1, 1988, were not transferred to CERS. These benefits are continuing to be paid from the Police and Firemen's Pension Fund, a fiduciary fund of the City, which has assets with a fair value of \$1,660,251 at June 30, 2023. An actuarial valuation was performed as of June 30, 2020, and submitted by the actuary in January 2021. However, there was no indication that the plan had adopted the provisions of GASB 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25, effective for fiscal years beginning after June 15, 2013. This standard revised existing standards of financial reporting by state and local government pension plans. Management is currently evaluating the effects of adopting GASB 68 on this fiduciary plan. None of the previous pension disclosures include any activity in this plan for the current or prior year.

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description – As more fully described in detail retirement plan, the City of Murray participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions– As more fully described in Note F, plan members contribute to CERS for nonhazardous and hazardous job classifications. For the year ending June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the City contributed \$161,313, or 100% of the required contribution for non-hazardous job classifications, and \$248,114, or 100% of the required contribution for hazardous job classifications. Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date: Tier 1 Participation date Before July 1, 2003 Insurance eligibility 10 years of service credit required Benefit Set percentage of single coverage health insurance based on service credit accrued at retirement Tier 1 Participation date Before September 1, 2008 but after July 1, 2003 Insurance eligibility 10 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually Tier 2 Participation date After September 1, 2008 and before December 31, 2013 Insurance eligibility 15 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually Tier 3 Participation date After December 31, 2013 Insurance eligibility 15 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability of the nonhazardous plan as \$3,085,648 and \$4,494,320 for the hazardous plan. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was 0.15635 percent for the nonhazardous plan and 0.52765 percent for the hazardous plan.

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)

For the year ended June 30, 2023, the city recognized OPEB expense of \$900,160. At June 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		
CERS Nonhazardous	\$ 310,596	\$ 707,611
CERS Hazardous	99,305	266,179
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	574,579	449,341
CERS Hazardous	939,559	775,520
Change of assumptions		
CERS Nonhazardous	488,017	402,123
CERS Hazardous	750,233	773,311
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous	142,062	206,751
CERS Hazardous	35,087	614,624
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	272,563	
CERS Hazardous	297,144	
Total	<u>\$ 3,909,145</u>	<u>\$ 4,195,460</u>

The \$569,707 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. This includes adjustments for the s implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	
2024	\$ (98,967)
2025	(146,203)
2026	(432,588)
2027	18,140
2028	(196,404)
	<u>\$ (856,022)</u>

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)

Mortality rates used for active members is PUB-2010 General (non-hazardous) and Public Safety (hazardous) Mortality Tables projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, System- specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from the MP-2014 mortality scale using a base year of 2010 is used for the period after disability retirement.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target	Long-Term Expected
Asset Class	Allocation	Real Rate of Return
US Equity	0.00%	N/A
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	28.00%
Core Bonds	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Opportunistic	0.00%	N/A
Real Return	13%	4.07%
Expected Real Return	1	4.28%
Long Term Inflation Assumption		0.023
Expected Nominal Return for Portfolio		6.58%

Discount rate - The discount rate used to measure the total OPEB liability was 5.7% for non-hazardous and 5.61% for hazardous.

However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net OPEB liabilities calculated using discount rates of 5.70% (non- hazardous) and 5.61% (hazardous), as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using discount rates that are one percentage point lower (4.70% and 4.61%, respectively) or one percentage point higher (6.70% and 6.61%, respectively) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
Nonhazardous-Net OPEB Liability	\$ 4,125,019	\$ 3,085,648	\$ 2,226,434

	1% Decrease	Current Discount Rate	1% Increase
Hazardous-Net OPEB Liability	\$ 6,244,723	\$ 4,494,320	\$ 3,072,665

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Cost Trend	1% Increase
Nonhazardous-Net OPEB Liability	\$ 2,294,111	\$ 3,085,648	\$ 4,036,135

	1% Decrease	Current Cost Trend	1% Increase
Hazardous-Net OPEB Liability	\$ 3,138,327	\$ 4,494,320	\$ 6,147,202

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

Employees of the Murray Convention and Visitors Bureau, which is reported as a special revenue fund of the City, have an individual employer account with CERS. The basic information about the OPEB plan has been reported above. Therefore, only those items specific to the Murray Convention and Visitors Bureau are included here.

OPEB Liability- At June 30, 2023, the Bureau reported a liability of \$68,284 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Bureau. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Bureau's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined.

	1% Decrease	Current Discount Rate	1% Increase
CERS:			
Nonhazardous-Net OPEB Liability	<u>\$ 91,284</u>	<u>\$ 68,284</u>	<u>\$ 49,270</u>

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)

Murray Convention and Visitors Bureau Sensitivity of the Bureau's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the Bureau's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Decrease (1%)	Current Cost Trend Rate	Increase 1%
CERS:			
Nonhazardous-Net OPEB Liability	<u>\$ 50,767</u>	<u>\$ 68,284</u>	<u>\$ 89,317</u>

OPEB expense- For the year ended June 30, 2023, the Bureau recognized OPEB expense of \$10,818. At June 30, 2023, the Bureau reported deferred outflows of resources and deferred inflows of resources related to the medical expense OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,873	\$ 15,659
Difference between projected and actual investment earnings on Plan investments	10,800	8,899
Change of assumptions	12,715	9,944
Change in proportion and differences between employer contributions and proportionate share of contributions	3,301	1,611
Employer contributions subsequent to the measurement date	<u>3,609</u>	
Total	<u>\$ 37,298</u>	<u>\$ 36,113</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$3,609 resulting from Bureau contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Bureau's OPEB expense as follows:

<u>Year Ending June 30</u>	
2024	\$ 333
2025	445
2026	(3,797)
2027	<u>595</u>
	<u>\$ (2,424)</u>

NOTE 3 – DETAIL NOTES – (Continued)

I. Long-Term Liabilities

Long-term liabilities include compensated absences, pension liabilities, and long-term debt of the City. The liability for compensated absences is liquidated 90% by the General Fund, with the remaining amount attributable to internal service funds. Pension liabilities and OPEB, due to their unique nature, are discussed separately in Note 3 and, therefore, are not included in this discussion.

Notes and bonds payable at June 30, 2023, are summarized, as follows:

Governmental Activities

Direct Borrowings

CFSB notes payable - construction line of credit
 monthly interest only at 1.5%, due November 30, 2022
 borrowed for construction of Fire Department
 refinanced into a ten (10) year note in December 2022

\$ 2,719,447

TMB note payable -
 monthly payments of \$13,688 through
 July 23, 2035, including interest at 2.78%

1,670,064

Murray Bank- Murray Convention Center debt
 monthly installments for 60 months at 4.18%
 after 60 months, rate changes to 5.55 for 180 months

78,791

\$ 4,468,302

Water and Sewer Fund

Direct Borrowings

Kentucky Infrastructure Authority Revolving
 Loan Fund - Fund B Loan
 due in schedule maturities for twenty years at .5%

\$ 1,284,439

Kentucky Infrastructure Authority Revolving
 Loan Fund - due in scheduled maturities through
 June 1, 2029, at 1%

394,364

Kentucky Infrastructure Authority Revolving
 Loan Fund - Fund A Loan
 due in schedule maturities for twenty years
 at .5%

1,276,569

Kentucky Infrastructure Authority Revolving
 Loan Fund - Fund A Loan
 due in schedule maturities for twenty years
 at 1%

53,418,844

\$ 56,374,216

NOTE 3 – DETAIL NOTES – (Continued)

I. Long-Term Liabilities- Continued

The annual debt service requirements to maturity for the above long-term debt as of June 30, 2023, are presented below:

Fiscal Year Ended				
June 30	Principal	Interest	Principal	Interest
2024	\$ 406,840	\$ 87,806	\$ 3,014,459	\$ 655,331
2025	414,945	79,966	3,043,964	619,785
2026	423,128	72,084	3,073,761	583,887
2027	431,500	64,032	3,103,852	547,636
2028	487,244	22,275	3,208,329	501,238
2028-2033	2,304,645	193,311	15,774,963	1,681,053
2033-2038			16,421,763	1,239,500
2038-2042	-	-	8,733,125	282,580
Totals	\$ 4,468,302	\$ 519,474	\$ 56,374,216	\$ 6,111,010

The following is a summary of the City’s long-term liability activity for the year ended June 30, 2023:

	Beginning Balance	Additions/ Reclassification	Reductions	Ending Balance	Due Within One Year
Governmental activities					
The Murray Bank-North Fire Station	1,784,086		114,022	1,670,064	117,245
CFSB- 16th Street Fire Station	2,999,750		280,303	2,719,447	284,507
Murray Conven Cent-MB	84,957		6,166	78,791	5,088
Lease liabilities	95,833		29,625	66,208	36,472
Compensated absences	515,742		67,254	448,488	244,904
	<u>\$ 5,480,368</u>	<u>\$ -</u>	<u>\$ 497,370</u>	<u>\$ 4,982,998</u>	<u>\$ 688,216</u>
Business-type activities					
KIA 19-003	\$ 1,356,652		72,214	1,284,438	\$ 72,574
KIA 19-31	1,346,201		69,631	1,276,570	69,980
KIA-Fund A	457,827		63,463	394,364	64,099
KIA 12/12	56,198,780		2,779,936	53,418,844	2,807,805
Lease liabilities	236,101		69,815	166,286	86,443
Compensated absences	422,428	30,794		453,222	168,975
	<u>\$ 60,017,989</u>	<u>\$ 30,794</u>	<u>\$ 3,055,059</u>	<u>\$ 56,993,724</u>	<u>\$ 3,269,876</u>

NOTE 3 – DETAIL NOTES – (Continued)

J. Long-Term Liabilities- Continued

The city entered a fleet management lease with Enterprise Rental the following are future lease payments:

Lease Liabilities

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 29,625	\$ 12,443	\$ 86,443	\$ 27,833
2025	36,472	5,595	79,620	55,790
2026	5,458	446	223	20
2027	213	5	-	-
Totals	\$ 71,768	\$ 18,489	\$ 166,286	\$ 83,643

K. Conduit Debt Obligations

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the city, payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. As of June 30, 2023, the City of Murray had the following bond issues outstanding related to the acquisition and construction of facilities:

Murray State University	\$ 5,255,000
Murray Calloway County Hospital	\$ 47,357,461
Total principal amounts payable	\$ 52,612,461

NOTE 3 – DETAIL NOTES – (Continued)

L. Risk Management

The city is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. To obtain insurance of these risks, the City participates in the Kentucky League of Cities Insurance Services (KLCIS). These public entity risk pools operate as common risk managements and insurance programs for participating cities and other governmental entities in Kentucky. The City pays an annual premium to each fund for coverage. City employees are provided traditional health care insurance that covers hospitalization and major medical expenses within specified limits. The plan is self-funded by the city and administered by a third-party administrator. The city pays the administrator a fee for various claim administration services. The City pays all claims after the third-party administrator who in turn issues individual claim checks. The City carries stop-loss insurance against catastrophic losses. The premiums for these policies are billed by the third-party administrator to the City. The claims liability reported in the Medical Insurance Fund at June 30, 2022 was estimated using information provided by the third-party administrators.

M. Commitments and Contingencies

The City has possible contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management and counsel believe that the probable solution of such contingencies will not materially affect the financial position or results of operations of the City.

N. Claims and Judgments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 4- SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated transactions and events for potential recognition or disclosure through March 14, 2024, the date financial statements were available to be issued. The City had no events, subsequent to June 30, 2023 through March 14, 2024, to disclose.

NOTE 5- IMPLEMENTATION OF GASB PRONOUNCEMENTS

In addition to the pronouncements discussed above, GASB has issued additional guidance for state and local governments that are not yet effective. The City is currently reviewing the provisions of the following pronouncements to determine the impact of implementation in future periods.

- Statement No. 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements (effective fiscal year ending 2023)
- Statement No. 96: Subscription-Based Information Technology Arrangements (effective fiscal year ending 2023)
- Statement No. 99: Omnibus 2022 (effective for various fiscal year ends)
- Statement No. 100: Accounting Changes and Error Corrections – as an amendment of GASB No. 62 (effective fiscal year ending 2024)
- Statement No. 101: Compensated Absences (effective fiscal year ending 2025)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net Pension Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:	2015	2016	2017	2018	2019	2020	2021	2022
Nonhazardous								
Total Net Pension Liability for County Employees Retirement System	\$ 4,299,525,565	\$ 4,923,618,237	\$ 5,853,307,482	\$ 6,090,304,793	\$ 7,033,044,552	\$ 7,669,917,211	\$ 6,375,784,388	\$ 7,229,013,496
Employer's Proportion (Percentage) of Net Pension Liability	0.182299%	0.17017%	0.15129%	0.14659%	0.169667%	0.167268%	0.162101%	0.156378%
Employers Proportion (Amount) of Net Pension Liability	\$ 7,837,990	\$ 8,378,483	\$ 8,855,527	\$ 8,927,778	\$ 11,932,756	\$ 12,829,317	\$ 10,335,210	\$ 11,304,587
Employer's Covered-Employer payroll	\$ 4,218,402	\$ 3,742,209	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445	\$ 4,310,286	\$ 4,501,107	\$ 4,758,502
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	185.80%	223.89%	236.11%	201.56%	270.93%	297.64%	229.61%	237.57%
Total Pension Plan's Fiduciary Net Position	\$ 6,440,800	\$ 6,141,394,419	\$ 6,687,237,095	\$ 7,018,963,000	\$ 7,159,921	\$ 7,027,327	\$ 8,565,652	\$ 7,963,586
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,544,538	\$ 13,109,268,000	\$ 14,192,966	\$ 14,697,244	\$ 14,941,437	\$ 15,192,599
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%
Hazardous								
Total Net Pension Liability for County Employees Retirement System	\$ 1,535,105,880	\$ 1,715,941,441	\$ 2,237,278,530	\$ 2,418,456,933	\$ 2,762,295,373	\$ 3,015,028,402	\$ 2,662,159,257	\$ 3,051,457,270
Employer's Proportion (Percentage) of Net Pension Liability	0.64550%	0.64198%	0.60017%	0.59519%	0.64382%	0.58795%	0.57679%	0.52790%
Employers Proportion (Amount) of Net Pension Liability	\$ 9,909,090	\$ 11,016,022	\$ 13,427,519	\$ 14,394,390	\$ 17,784,182	\$ 17,727,010	\$ 15,355,042	\$ 16,108,551
Employer's Covered-Employer payroll	\$ 3,419,071	\$ 3,398,434	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209	\$ 3,542,186	\$ 3,495,910	\$ 3,659,498
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	289.82%	324.15%	395.27%	382.77%	505.49%	500.45%	439.23%	440.18%
Total Pension Plan's Fiduciary Net Position	\$ 2,078,201,667	\$ 2,010,174,047	\$ 2,217,996,000	\$ 2,348,337,000	\$ 2,413,708	\$ 2,379,704	\$ 2,914,408	\$ 2,718,234
Total Pension's Plan Pension Liability	\$ 3,613,307,547	\$ 3,726,115,488	\$ 4,455,275,000	\$ 4,766,794,000	\$ 5,176,003	\$ 5,394,732	\$ 5,576,567	\$ 5,769,691
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net Pension Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center	2015	2016	2017	2018	2019	2020	2021	2022
CERS:								
Nonhazardous								
Total Net Pension Liability for County Employees Retirement System	\$ 4,299,525,565	\$ 4,923,618,237	\$ 5,853,307,482	\$ 6,090,304,793	\$ 7,033,044,552	\$ 7,669,917,211	\$ 6,375,784,388	\$ 7,229,013,496
Employer's Proportion (Percentage) of Net Pension Liability	0.003142%	0.00268%	0.00324%	0.00310%	0.00344%	0.00344%	0.00337%	0.00346%
Employers Proportion (Amount) of Net Pension Liability	\$ 135,095	\$ 132,132	\$ 189,647	\$ 188,982	\$ 241,937	\$ 263,538	\$ 214,673	\$ 250,196
Employer's Covered-Employer payroll	\$ 73,309	\$ 72,185	\$ 79,230	\$ 75,595	\$ 88,423	\$ 88,000	\$ 87,000	\$ 95,693
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	184.28%	183.05%	239.36%	249.99%	273.61%	299.48%	246.75%	261.46%
Total Pension Plan's Fiduciary Net Position	\$ 6,440,800	\$ 6,141,394,419	\$ 6,687,237,095	\$ 7,018,963,000	\$ 7,159,921	\$ 7,027,327	\$ 8,565,652	\$ 7,963,586
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,544,538	\$ 13,109,268,000	\$ 14,192,966	\$ 14,697,244	\$ 14,941,437	\$ 15,192,599
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:

Nonhazardous	2014	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily required contribution for pension	\$ 761,704	\$ 732,091	\$ 699,046	\$ 543,083	\$ 718,443	\$ 850,058	\$ 831,885	\$ 952,884	\$ 1,113,490
System's contributions in relation to the statutorily required contribution	(761,704)	(732,091)	(699,046)	(543,083)	(718,443)	(850,058)	(831,885)	(952,884)	(1,113,490)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 4,032,313	\$ 4,143,147	\$ 3,742,209	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445	\$ 4,310,286	\$ 4,501,107	\$ 4,758,502
Contributions as a percentage of its covered employee payroll	18.89%	17.67%	18.68%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%
Hazardous									
Statutorily required contribution for pension	\$ 1,002,863	\$ 1,152,159	\$ 1,055,553	\$ 753,837	\$ 935,249	\$ 1,057,574	\$ 1,064,781	\$ 1,183,715	\$ 1,566,631
System's contributions in relation to the statutorily required contribution	(1,002,863)	(1,152,159)	(1,055,553)	(753,837)	(935,249)	(1,057,574)	(1,064,781)	(1,183,715)	(1,566,631)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 2,809,140	\$ 3,358,076	\$ 3,398,434	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209	\$ 3,542,186	\$ 3,495,910	\$ 3,659,498
Contributions as a percentage of its covered employee payroll	35.70%	34.31%	31.06%	22.19%	24.87%	30.06%	30.06%	33.86%	42.81%

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center

CERS:

Nonhazardous

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily required contribution for pension	\$ 13,318	\$ 9,381	\$ 7,624	\$ 10,005	\$ 11,136	\$ 14,074	\$ 16,984	\$ 20,258	\$ 24,909
System's contributions in relation to the statutorily required contribution	(13,318)	(9,381)	(7,624)	(10,005)	(11,136)	(14,074)	(16,984)	(20,258)	(24,909)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 70,506	\$ 73,309	\$ 72,185	\$ 79,230	\$ 75,595	\$ 88,423	\$ 88,000	\$ 95,693	\$ 106,448
Contributions as a percentage of its covered employee payroll	18.89%	12.80%	10.56%	12.63%	14.73%	15.92%	19.30%	21.17%	23.40%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net OPEB Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Nonhazardous						
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122	\$ 1,681,954,950	\$ 2,414,695,884	\$ 1,914,449,967	\$ 1,973,513,617
Employer's Proportion (Percentage) of Net OPEB Liability	0.15129%	0.14658%	0.16962%	0.16722%	0.16206%	0.15635%
Employers Proportion (Amount) of Net OPEB Liability	\$ 3,041,467	\$ 2,602,570	\$ 2,852,999	\$ 4,037,854	\$ 3,102,615	\$ 3,085,648
Employer's Covered-Employer payroll	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445	\$ 4,310,286	\$ 4,501,107	\$ 4,758,502
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	81.09%	58.76%	64.78%	93.68%	68.93%	64.84%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613	\$ 3,246,801	\$ 3,079,984
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309	\$ 5,161,251	\$ 5,053,498
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%	60.4%	51.67%	62.91%	60.95%
Hazardous						
Total Net OPEB Liability	\$ 826,671,577	\$ 712,959,449	\$ 739,859,800	\$ 924,105,555	\$ 808,559,334	\$ 851,785,774
Employer's Proportion (Percentage) of Net OPEB Liability	0.60017%	0.59522%	0.64369%	0.58777%	0.57679%	0.52764%
Employers Proportion (Amount) of Net OPEB Liability	\$ 4,961,451	\$ 4,243,699	\$ 4,762,418	\$ 5,431,606	\$ 4,663,673	\$ 4,494,320
Employer's Covered-Employer payroll	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209	\$ 3,542,186	\$ 3,495,910	\$ 3,659,498
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	146.05%	112.85%	135.36%	153.34%	133.40%	122.81%
Total Plan's Fiduciary Net Position	\$ 1,189,001,387	\$ 1,280,982,000	\$ 1,340,714,000	\$ 1,321,117	\$ 1,627,824	\$ 1,522,671
Total Plan OPEB Liability	\$ 2,015,672,964	\$ 1,993,941,000	\$ 2,080,574,000	\$ 2,245,222	\$ 2,436,383	\$ 2,374,457
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	59.0%	64.2%	64.4%	58.84%	66.81%	64.13%

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net OPEB Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center	2017	2018	2019	2020	2021	2022
CERS:						
Nonhazardous						
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122	\$ 1,681,954,950	\$ 2,414,695,884	\$ 1,914,449,967	\$ 1,973,513,617
Employer's Proportion (Percentage) of Net OPEB Liability	0.00324%	0.00310%	0.00344%	0.00344%	0.00337%	0.00346%
Employers Proportion (Amount) of Net OPEB Liability	\$ 65,135	\$ 55,093	\$ 57,842	\$ 82,945	\$ 64,440	\$ 68,284
Employer's Covered-Employer payroll	\$ 79,230	\$ 75,595	\$ 88,423	\$ 88,000	\$ 87,000	\$ 106,448
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	82.21%	72.88%	65.42%	94.26%	74.07%	64.15%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613	\$ 3,246,801	\$ 3,079,984
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309	\$ 5,161,251	\$ 5,053,498
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%	60.4%	51.67%	62.91%	60.95%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's OPEB Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:

Nonhazardous

	2017	2018	2019	2020	2021	2022
Statutorily required contribution for employer	\$ 176,280	\$ 232,985	\$ 209,652	\$ 205,170	\$ 260,164	\$ 161,313
System's contributions in relation to the statutorily required contribution	(176,280)	(232,985)	(209,652)	(205,170)	(260,164)	(161,313)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445	\$ 4,310,286	\$ 4,501,107	\$ 4,758,502
Contributions as a percentage of its covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%
Hazardous						
Statutorily required contribution for employer	\$ 317,627	\$ 393,730	\$ 334,933	\$ 337,216	\$ 366,022	\$ 248,114
System's contributions in relation to the statutorily required contribution	(317,627)	(393,730)	(334,933)	(337,216)	(366,022)	(248,114)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209	\$ 3,542,186	\$ 3,495,910	\$ 3,659,498
Contributions as a percentage of its covered employee payroll	9.35%	10.47%	9.52%	9.52%	10.47%	6.78%

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's OPEB Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center

CERS:

Nonhazardous

	2017	2018	2019	2020	2021	2022
Statutorily required contribution for employer	\$ 4,452	\$ 4,272	\$ 4,564	\$ 4,189	\$ 5,999	\$ 3,609
System's contributions in relation to the statutorily required contribution	(4,452)	(4,272)	(4,564)	(4,189)	(5,999)	(3,609)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 75,595	\$ 75,595	\$ 88,423	\$ 88,000	\$ 87,000	\$ 106,448
Contributions as a percentage of its covered employee payroll	5.89%	5.65%	5.16%	4.76%	6.90%	3.39%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2023

Notes to Schedules

The following change was made by the Kentucky Legislature and reflected in the valuation performed as of June 30:

2023- Valuation date June 30, 2022, actuarial cost method -Entry age, Asset valuation method -Market Value
Withdrawal- None

2020-

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB: The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

2019-

The assumptions were updated as of result of an experience study for the five-year period ending June 30, 2018. The investment rate of return remained unchanged from at 6.25% from the prior measurement date. The discount rate remained unchanged at 6.25% from the prior measurement date. The inflation rate remained unchanged at 2.30% from the prior measurement date. Projected salary increases 3.30% to 11.50% - non-hazardous and 3.05% to 18.55% - hazardous. Exhibit A-6 -106- Notes to Required Supplementary Information for the Year Ended June 30, 2020. The amortization period of the unfunded accrued liability was reset to a closed 30-year period for the year ended June 30, 2013.

2018-

- House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.
- House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017-

- The assumed investment rate decreased from 7.5 % to 6.25%
- The assumed rate of inflation was reduced from 3.50% to 2.3%
- Payroll growth assumption was reduced from 4.00% to 2.00%

2015 –

- The assumed investment rate decreased from 7.75% to 7.50%
- The assumed rate of inflation was reduced from 3.50% to 3.25%
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%
- Payroll growth assumption was reduced from 4.50% to 4.00%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2023

- The assumed rates of Retirement, Withdrawal and Disability were updated too moreaccurately reflect experience.

2014 –

- A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions-

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

2013 –

- The amortization period of the unfunded accrued liability was reset to a closed 30-year period.

Method and assumptions used in calculations of actuarially determined contributions-

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- | | |
|---------------------------------|---|
| • Actuarial cost method | Entry age |
| • Amortization method | Level percentage of payroll, closed |
| • Remaining amortization period | 30 years |
| • Asset valuation method | 5-year smoothed market |
| • Inflation | 3.5 percent |
| • Salary increases | 4.5 percent, average, including inflation |

Investment rate of return 7.75 percent, net of pension plan investment

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -GENERAL FUND
For The Year Ended June 30, 2023

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Revenues				
Property taxes	\$ 3,260,000	\$ 3,260,000	\$ 3,702,499	\$ 442,499
Insurance tax	1,600,000	1,600,000	2,059,292	459,292
Occupational tax	3,800,000	3,800,000	4,583,585	783,585
Franchise taxes	175,000	175,000	196,876	21,876
Occupational business licenses	325,000	325,000	365,303	40,303
Payments in lieu of taxes	64,000	64,000	49,994	(14,006)
Bank shares	205,000	205,000	246,156	41,156
License and permits	55,000	55,000	164,837	109,837
Fines and fees	80,000	80,000	74,749	(5,251)
Intergovernmental revenue	20,000	20,000	310,680	290,680
Interest	43,500	43,500	530,838	487,338
Miscellaneous income	1,628,052	1,628,052	377,704	(1,250,348)
Contributions	50,000	50,000	200,359	150,359
Grant funds received	2,732,580	3,843,953	2,267,507	(1,576,446)
Total revenues	<u>14,038,132</u>	<u>15,149,505</u>	<u>15,130,379</u>	<u>(19,126)</u>
Expenditures				
General government	8,972,583	9,628,881	3,389,918	6,238,963
Police department	3,786,153	3,786,153	3,533,399	252,754
Fire department	4,227,085	4,727,085	4,314,947	412,138
Street department	1,373,133	1,373,133	1,270,205	102,928
Planning and zoning	468,832	468,832	331,289	137,543
Debt service				
Principal	487,510	487,510	394,325	93,185
Interest			95,234	(95,234)
Total expenditures	<u>19,315,296</u>	<u>20,471,594</u>	<u>13,329,317</u>	<u>7,142,277</u>
Revenues over (under) expenditures	<u>(5,277,164)</u>	<u>(5,322,089)</u>	<u>1,801,062</u>	<u>7,123,151</u>
Other Financing Sources (Uses)				
Transfer from other funds	345,000	345,000	395,000	50,000
Transfers to other funds		-	(260,000)	(260,000)
Total other financing sources (uses)	<u>345,000</u>	<u>345,000</u>	<u>135,000</u>	<u>(210,000)</u>
Net change in fund balance	(4,932,164)	(4,977,089)	1,936,062	6,913,151
Fund balance, beginning of year	10,456,623	8,396,031	16,677,340	8,281,309
Fund balance, end of year	<u>\$ 5,524,459</u>	<u>\$ 3,418,942</u>	<u>\$ 18,613,402</u>	<u>\$ 15,194,460</u>

See Independent Auditor's Report

SUPPLEMENTARY AND OTHER INFORMATION SECTION

**COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2023

	Special Revenue Funds					Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	
Assets						
Cash	\$ -	\$ -	\$ 161,821	\$ -	\$ -	\$ 161,821
Accounts receivable		16,255	81,299	-		471,147
Restricted assets	365,251	234,841	233,947	42,670	13,296	1,314,837
Total assets	<u>\$ 365,251</u>	<u>\$ 251,096</u>	<u>\$ 477,067</u>	<u>\$ 42,670</u>	<u>\$ 13,296</u>	<u>\$ 1,947,805</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 6,338	\$ 10,273	\$ 580	\$ -	\$ -	\$ 17,503
Accrued expenditures			4,585			4,585
Total liabilities	<u>6,338</u>	<u>10,273</u>	<u>5,165</u>	<u>-</u>	<u>-</u>	<u>22,088</u>
Fund Balances						
Unassigned			237,955			237,955
Restricted	358,913	240,823	233,947	42,670	13,296	1,687,762
Total fund balances	<u>358,913</u>	<u>240,823</u>	<u>471,902</u>	<u>42,670</u>	<u>13,296</u>	<u>1,925,717</u>
Total liabilities and fund balances	<u>\$ 365,251</u>	<u>\$ 251,096</u>	<u>\$ 477,067</u>	<u>\$ 42,670</u>	<u>\$ 13,296</u>	<u>\$ 1,947,805</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2023

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Revenues							
Intergovernmental revenues	\$ 360,209	\$ -	\$ 170,618	\$ 30,983	\$ -	\$ -	\$ 561,810
Interest earned	23,028	2,531	662	3	498	17,271	43,993
Telephone line charges		234,472					234,472
Transient room tax			372,606				372,606
Alcoholic beverage license fees						650,106	650,106
Other			7,877	-	805	-	8,682
Total revenues	<u>383,237</u>	<u>237,003</u>	<u>551,763</u>	<u>30,986</u>	<u>1,303</u>	<u>667,377</u>	<u>1,871,669</u>
Expenditures							
Street department	305,833						305,833
E-911		445,431					445,431
Tourism commission			489,863				489,863
Freedom fest			4,533				4,533
Drug programs				6,379			6,379
Alcoholic beverage control						389,866	389,866
Debt Service							
Principal			6,166				6,166
Interest			3,434				3,434
Total expenditures	<u>305,833</u>	<u>445,431</u>	<u>503,996</u>	<u>6,379</u>	<u>-</u>	<u>389,866</u>	<u>1,651,505</u>
Revenues over (under) expenditures	77,404	(208,428)	47,767	24,607	1,303	277,511	220,164
Other Financing Sources (Uses)							
Transfer (to) from other funds	(50,000)	260,000				-	210,000
Total other financing sources (uses)	<u>(50,000)</u>	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>
Net change in fund balance	27,404	51,572	47,767	24,607	1,303	277,511	430,164
Fund balance, beginning of year	331,509	189,251	424,135	18,063	11,993	520,602	1,495,553
Fund balance, end of year	<u>\$ 358,913</u>	<u>\$ 240,823</u>	<u>\$ 471,902</u>	<u>\$ 42,670</u>	<u>\$ 13,296</u>	<u>\$ 798,113</u>	<u>\$ 1,925,717</u>

See Independent Auditor's Report

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2023

	Central Garage	Medical Insurance Fund	Totals
Assets			
Current Assets			
Accounts receivable	\$ 36,411	\$ -	\$ 36,411
Materials and supplies, at average cost	64,899		64,899
Total current assets	<u>101,310</u>	<u>-</u>	<u>101,310</u>
Noncurrent Assets			
Right to use lease assets, net of amortization	5,465		5,465
Capital Assets:			
Buildings	225,000		225,000
Machinery and equipment	273,678		273,678
Accumulated depreciation	(433,990)		(433,990)
Restricted assets	-	697,174	697,174
Total noncurrent assets	<u>70,153</u>	<u>697,174</u>	<u>767,327</u>
Total assets	<u>171,463</u>	<u>697,174</u>	<u>868,637</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	87,371		87,371
Deferred outflows related to OPEB	58,640		58,640
Total deferred outflows	<u>146,011</u>	<u>-</u>	<u>146,011</u>
Liabilities			
Current Liabilities			
Accounts payable	16,902	138,852	155,754
Accrued salaries	4,792		4,792
Accrued compensated absences	32,433		32,433
Due to other funds	199,227		199,227
Current maturities of lease liability	1,315		1,315
Accrued claims incurred but not reported		304,053	304,053
Total current liabilities	<u>254,669</u>	<u>442,905</u>	<u>697,574</u>
Long-term Liabilities			
Lease liability	4,150		4,150
Net pension liability	370,790		370,790
Net OPEB liability	101,209		101,209
Total noncurrent liabilities	<u>476,149</u>	<u>-</u>	<u>476,149</u>
Total liabilities	<u>730,818</u>	<u>442,905</u>	<u>1,173,723</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	56,158		56,158
Deferred inflows related to OPEB	57,919		57,919
Total deferred inflows	<u>114,077</u>	<u>-</u>	<u>114,077</u>
Net Position			
Investment in capital assets	64,688		64,688
Restricted		697,174	697,174
Unrestricted	(592,109)	(442,905)	(1,035,014)
Total net position	<u>\$ (527,421)</u>	<u>\$ 254,269</u>	<u>\$ (273,152)</u>

See Independent Auditor's Report

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2023**

	Central Garage	Medical Insurance Fund	Totals
Operating Revenues			
Charges for interfund services	\$ 738,818		\$ 738,818
Contributions to fund		2,446,182	2,446,182
Total operating revenues	<u>738,818</u>	<u>2,446,182</u>	<u>3,185,000</u>
Operating Expenses			
Depreciation and amortization	20,768		20,768
Parts rebilled	158,220		158,220
Petroleum products	284,827		284,827
Other garage expenses	297,711		297,711
Claims paid		\$1,498,876	1,498,876
Administrative costs		606,692	606,692
Total operating expenses	<u>761,526</u>	<u>2,105,568</u>	<u>2,867,094</u>
Operating income (loss)	(22,708)	340,614	317,906
Non-Operating Revenues (Expenses)			
Interest and dividend income		29,527	29,527
Change in net position	<u>(22,708)</u>	<u>370,141</u>	<u>347,433</u>
Net position-beginning of year	<u>(504,713)</u>	<u>(115,872)</u>	<u>(620,585)</u>
Net position-end of year	<u>\$ (527,421)</u>	<u>\$ 254,269</u>	<u>\$ (273,152)</u>

See Independent Auditor's Report

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2023

	Central Garage	Medical Insurance Fund	Totals
Cash Flows From Operating Activities			
Cash paid to suppliers	\$ (564,115)	-	\$ (564,115)
Cash paid for employees	(170,531)	-	(170,531)
Cash received for premiums		2,446,182	2,446,182
Cash paid for claims		(1,824,321)	(1,824,321)
Cash paid for administrative expenses		(606,692)	(606,692)
Cash received from interfund services provided	749,522		749,522
Net cash provided (used) by operating activities	<u>14,876</u>	<u>15,169</u>	<u>30,045</u>
Cash Flow From Capital and Related Financing Activities			
Principal payments on capital leases	(1,012)	-	(1,012)
Purchase of capital assets	(13,864)		(13,864)
Net cash (used) by capital and related financing activities	<u>(14,876)</u>	<u>-</u>	<u>(14,876)</u>
Cash Flow From Investing Activities			
Interest and dividends		29,527	29,527
Net cash provided by investing activities	<u>-</u>	<u>29,527</u>	<u>29,527</u>
Net increase (decrease) in cash and cash equivalents	-	44,696	44,696
Cash and cash equivalents-beginning		652,478	652,478
Cash and cash equivalents-ending	<u>\$ -</u>	<u>\$ 697,174</u>	<u>\$ 697,174</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (22,708)	\$ 340,614	\$ 317,906
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	20,768		20,768
Pension/OPEB expense	(3,134)		(3,134)
(Increase) Decrease in operating assets:			
Accounts receivable	10,704		10,704
Material and supplies	13,029		13,029
Increase (Decrease) in operating liabilities:			
Accounts payable	(3,167)		(3,167)
Accrued expenses	2,490	(325,445)	(322,955)
Due to other funds	(4,119)		(4,119)
Net cash provided by operating activities	<u>\$ 13,863</u>	<u>\$ 15,169</u>	<u>\$ 29,032</u>

See Independent Auditor's Report

CITY OF MURRAY, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Provided to Subrecipient	Total Federal Expenditures
U.S. Department of Transportation			
<i>Passed-Through Kentucky Transportation Cabinet:</i>			
Highway Planning and Construction	20.205	- **	635,529
State and Community Highway Safety	20.616	-	590
Total U.S. Department of Transportation		-	\$ 636,119
U. S. Department of Emergency Managements			
<i>Passed-Through Kentucky Department of Military Affairs:</i>			
Fema DR 4497 PA Grant	97.036	-	13,582
Total U.S. Department of Justice			\$ 13,582
U. S. National Parks Service			
<i>Passed-Through Kentucky Department of Local Government:</i>			
Land and Water Conservation Fund	15.916	-	4,250
Total U.S. Department of Justice			\$ 4,250
U. S. Department of Justice			
<i>Passed-Through Kentucky Justice and Public Safety Cabinet:</i>			
Asset Foreiture and Equitable Sharing	16.922	-	18,323
Total U.S. Department of Justice			\$ 18,323
U.S. Department of Treasury			
<i>Passed-Through Kentucky Department of Local Government:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-	254,152
Total U.S. Department of Treasury		-	\$ 254,152
U.S. Department of Housing and Urban Development			
<i>Passed-Through Kentucky Department For Local Government:</i>			
Community Development Block Grant	14.228	-	500,000
Total U.S. Department of Housing and Urban Development			\$ 500,000
Total Expenditures of Federal Awards		\$ -	\$ 1,422,176

** Major Program

CITY OF MURRAY, KENTUCKY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Murray, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - IN-DIRECT COST RATE

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

NOTE 3 – AMOUNTS PASSED THROUGH TO SUBRECIPIENTS COLUMN

The column on the accompanying schedule captioned “Amounts Passed Through to Subrecipients “represents the amounts transferred by the City of Murray to subrecipients. During the fiscal year the City of Murray did not pass any federal funds to subrecipients.

INTERNAL CONTROL AND COMPLIANCE SECTION



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*

Honorable Mayor Bob
Rogers and Members of
the City Council
City of Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Murray, Kentucky's basic financial statements, and have issued our report thereon dated March 14, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 may exist that have not been identified.

Compliance and Other Matters

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

Romaine & Associates, PLLC

Paducah, Kentucky
Certified Public Accountants



March 8, 2023

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance

Honorable Mayor Bob
Rogers and Members of
the City Council
City of Murray, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Murray, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Murray, Kentucky's major federal programs for the year ended June 30, 2023. City of Murray, Kentucky'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, City of Murray, Kentucky 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of City of Murray, Kentucky 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 City of Murray, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Murray, Kentucky'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 City of Murray, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Murray, Kentucky's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Murray, Kentucky'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 of Murray, Kentucky'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 of Murray, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Romaine & Associates, PLLC

Paducah, Kentucky
Certified Public Accountants
March 14, 2024

CITY OF MURRAY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

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 _____ no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____ none reported

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 uniform guidance 516(a)? _____ yes _____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Clusters
20.205	Highway Planning and Construction State and Community Highway Safety

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

Auditee qualified as low-risk auditee? _____ yes _____ no

Section II- Financial Statement Findings

No Matters were reported

Section III- Federal Award Findings and Questioned Costs

No Matters were reported

Section IIII- Prior Year Financial Statement Findings

No Matters were reported

Section V- Prior Year Federal Award Findings and Questioned Costs

No Matters were reported