

# **CITY OF DANVILLE, KENTUCKY**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

*As of and for the Year Ended June 30, 2023*

*And Report of Independent Auditor*

**CITY OF DANVILLE, KENTUCKY**  
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## Report of Independent Auditor

To the Mayor and Board of Commissioners  
City of Danville, Kentucky  
Danville, Kentucky

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville Kentucky (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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's basic financial statements. The Supplementary Information, as listed in the table of contents, which includes the 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Danville, Kentucky  
February 10, 2025

# CITY OF DANVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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The management team for the City of Danville (the "City") presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2023. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

### Financial Highlights

- As of June 30, 2023, the City's assets and deferred outflows of resources (pages 11 and 12) exceeded liabilities and deferred inflows of resources by approximately \$55,551,000. The Net Position is more than the past fiscal year due to capital projects in progress and recently completed. Scheduled debt amortization that is presented on Government-Wide Financial Statements has begun for finished projects along with decreased pension liability with new OPEB liability calculations. The Net Pension Liability for June 30, 2023 is \$27,656,450 which is higher than last fiscal year due to the change in the State of Kentucky's total pension liability. Allocations for the OPEB liability total \$7,646,701. Additionally, the City maintains a closed pension plan for police and firefighters that had a net pension liability of \$753,443 as of June 30, 2023.
- Unrestricted cash and investment balances for governmental activities (pages 11 and 12) as of June 30, 2023 were \$15,270,682 and current liabilities payable from unrestricted resources (i.e., excluding principal and interest on long-term debt and leases) were \$12,889,653.
- The net position, on a government-wide basis, increased by \$3,792,017 (page 13). Of this increase \$3,168,461 is attributed to the net position increase from governmental activities and \$623,556 increase in business-type activities.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$9,635,928 to a total of \$21,499,749 (page 15). The primary reasons for the decrease in fund balances in the governmental funds are due to an increase in capital outlays for construction projects. Of the total fund balances in the governmental funds, \$20,431,078 (page 14) is unrestricted and available for future programs and it is used to meet the reserve requirements per city ordinance.
- The City has debt and pension liabilities of \$45,805,603 in Governmental Activities and \$58,469,226 in Business-type Activities at June 30, 2023 (pages 51 through 53). During the current fiscal year, the construction loan increased in the amount of \$442,517 in Business-type funds. In fiscal year 2018, the City started a leasing program for passenger vehicles with is stated capital leases on the financial statements. Total lease liability for the program is \$1,638,108 with \$1,086,494 in the Governmental Activities and \$551,614 in the Business-type Activities.

### Overview of Financial Statements

This discussion and analysis is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

*Government-wide Financial Statements* – The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The Statement of Net Position presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as *net position*.

**CITY OF DANVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

*YEAR ENDED JUNE 30, 2023*

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Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. In accordance with GASB standards, the City has shown the Net Pension Liability and OPEB Liability on the Government-wide Financial Statements.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, streets, police, fire, recreation and community programs. Business-type activities include water and sewer utilities, garbage, cemetery, museum, storm water, and parking funds.

The government-wide statements are found on pages 11 through 13 of this report.

*Fund financial statements* – Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Danville, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

*Governmental funds* – Funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 14 and 15 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

The City maintains 12 individual governmental funds. Major governmental funds include the General Fund and the Streetscape Fund.

The larger funds are presented on pages 14 and 15 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 69 and 70. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with KRS Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information on page 56.

*Proprietary funds* – The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The Utilities, Parking, and Storm Water Fund are presented as major funds on pages 16 through 20. The other funds are presented in combining statements for the non-major funds on pages 71 through 73.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**CITY OF DANVILLE, KENTUCKY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

YEAR ENDED JUNE 30, 2023

*Notes to the financial statements* – Notes provide additional information that are essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City’s financial statements and are presented on pages 23 through 55.

*Other information* – This section of the report includes two types of supplementary information. *Required Supplementary Information* (pages 56 through 68) must be included to conform to generally accepted accounting principles. Management’s Discussion and Analysis is classified as *Required Supplementary Information*. In addition, the Schedule of Net Pension and OPEB Liability and Related Ratios, the Schedule of Contributions, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the City’s police and fire pension fund.

*Other reports* – The last section of this report includes the Report of Independent Auditor’s Report on Internal Control (pages 76 through 77). The Schedule of Expenditures of Federal Awards (page 74) and the Report of Independent Auditors on Compliance required by the Uniform Guidance with required schedule (pages 78 through 80).

**Government-Wide Financial Analysis**

The first statement in the government-wide statements is the Statement of Net Position. Let’s review some of the more important issues in this statement. The following table summarizes the Statement of Net Position (pages 11 and 12).

	Net Assets of Governmental and Business-Type Activities (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current assets	\$ 30,951	\$ 27,189	\$ 9,441	\$ 4,226	\$ 40,392	\$ 31,415
Capital assets and other assets	36,881	45,075	84,430	104,879	121,311	149,954
Deferred outflows of resources	5,446	10,989	2,275	3,717	7,721	14,706
<b>Total Assets and Deferred Outflows</b>	<b>73,278</b>	<b>83,253</b>	<b>96,146</b>	<b>112,822</b>	<b>169,424</b>	<b>196,075</b>
Current liabilities	5,700	6,874	7,278	23,171	12,978	30,045
Long-term debt outstanding	39,858	45,014	56,437	56,798	96,295	101,812
Deferred inflows of resources	4,677	5,153	3,716	3,513	8,393	8,666
<b>Total Liabilities and Deferred Inflows</b>	<b>50,235</b>	<b>57,041</b>	<b>67,431</b>	<b>83,482</b>	<b>117,666</b>	<b>140,523</b>
Net Position:						
Net investment in capital assets	13,851	27,382	27,009	38,125	40,860	65,507
Restricted	4,817	-	3,593	14,364	8,410	14,364
Unrestricted (deficit)	4,375	(1,170)	(1,887)	(23,149)	2,488	(24,319)
<b>Total Net Position</b>	<b>\$ 23,043</b>	<b>\$ 26,212</b>	<b>\$ 28,715</b>	<b>\$ 29,340</b>	<b>\$ 51,758</b>	<b>\$ 55,552</b>

The City’s net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Compared to prior year, this has increased 38% due to capital projects within both the Governmental Activities and Business-Type activities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$14.4 million of the City’s net position (pages 11 and 12) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures including the remaining financing for on-going projects.

**CITY OF DANVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

*YEAR ENDED JUNE 30, 2023*

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

	<b>Net Assets of Governmental and Business-Type Activities (in thousands)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Revenues:						
Program Revenues:						
Charges for services	\$ -	\$ 738	\$ 12,674	\$ 13,715	\$ 12,674	\$ 14,453
Operating grants and contributions	399	1,224	-	-	399	1,224
Capital grants and contributions	358	-	-	-	358	-
General Revenues:						
Property taxes	2,107	2,374	-	-	2,107	2,374
License fees and permits	17,779	19,645	-	-	17,779	19,645
Penalties and forfeits	16	16	-	-	16	16
Management fees	619	548	-	-	619	548
Other	1,320	2,005	126	459	1,446	2,464
Total Revenues	<u>\$ 22,598</u>	<u>\$ 26,550</u>	<u>\$ 12,800</u>	<u>\$ 14,174</u>	<u>\$ 35,398</u>	<u>\$ 40,724</u>

	<b>Net Assets of Governmental and Business-Type Activities (in thousands)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Program Expenses:						
General Government	\$ 3,699	\$ 7,728	\$ -	\$ -	\$ 3,699	\$ 7,728
Public Safety	9,033	9,127	-	-	9,033	9,127
Public Services	3,705	1,133	-	-	3,705	1,133
Community Services	779	1,487	-	-	779	1,487
Debt Service	636	2,761	-	-	636	2,761
Utilities	-	-	12,247	11,817	12,247	11,817
Garbage operations	-	-	1,203	1,369	1,203	1,369
Cemetery operations	-	-	341	353	341	353
Museum operations	-	-	46	81	46	81
Parking operations	-	-	447	503	447	503
Storm water	-	-	540	574	540	574
Total Expenses	<u>17,852</u>	<u>22,236</u>	<u>14,824</u>	<u>14,697</u>	<u>32,676</u>	<u>36,933</u>
Excess (Deficiency) Before Transfers	4,746	4,314	(2,024)	(523)	2,722	3,791
Gain (loss) on sale	(47)	-	82	-	35	-
Transfers	(320)	(1,146)	320	1,146	-	-
Change in Net Assets	<u>\$ 4,379</u>	<u>\$ 3,168</u>	<u>\$ (1,622)</u>	<u>\$ 623</u>	<u>\$ 2,757</u>	<u>\$ 3,791</u>

# CITY OF DANVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2023

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\$22 million of the governmental services are financed with property taxes and license fees. Governmental activities increased the City's net position by approximately \$3,168,000. The primary reason for the increase is due to City collections of license fees and permits.

Business-type activities increased the City's net position by approximately \$624,000. This increase was caused by charges for services and transfers in from the governmental funds.

### **Financial Analysis of the Government's Funds**

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

*Governmental funds* – Financial information for the City's governmental funds is summarized on pages 14 and 15. Governmental fund balances decreased \$9.6 million. The primary reason for the decrease is the increase in spending on capital outlay.

Non-major funds include Police Safety, Drug Forfeiture, Hazard Mitigation, Municipal Road Aid, Toy Program, Cemetery Trusts, Park Trust, Opioid, and Parks and Recreation funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 69 and 70.

*Proprietary funds* – The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements (pages 16 and 17). Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

### **Governmental Funds Budgetary Highlights**

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

### **Capital Asset and Debt Administration**

The City invests substantial resources in capital assets that support the services provided to the public. Most of the City's outstanding bonds and capital leases have been used to acquire or construct capital assets.

**CITY OF DANVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

YEAR ENDED JUNE 30, 2023

**Capital Assets**

The City's historical cost of capital assets is summarized below:

**City of Danville, Kentucky Capital Assets (historical cost)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 4,735,000	\$ 1,557,000	\$ 6,292,000
Buildings	20,047,000	37,659,000	57,706,000
Improvements other than buildings	2,251,000	522,000	2,773,000
Vehicles	4,652,000	658,000	5,310,000
Equipment	6,549,000	1,865,000	8,414,000
Leased assets	1,608,000	806,000	2,414,000
Infrastructure	88,783,000	62,576,000	151,359,000
Construction in progress	13,735,000	25,513,000	39,248,000
Total	<u>\$ 142,360,000</u>	<u>\$ 131,156,000</u>	<u>\$ 273,516,000</u>

Major capital asset events during the fiscal year included the following (approximate totals):

Governmental Activities: Wrap-up of the Central Fire Station (\$700,000), significant construction on the Public Works Department facility renovations (\$650,000), significant construction on the Main Street Streetscape project (\$6,800,000), completion of the tennis courts (\$3,000,000), and construction on the Jennie Rogers Community Center (\$1,000,000).

Business-Type Activities: Utility projects including work on the Wastewater Treatment Plant expansion (\$8,000,000), work on the Lebanon Road trunk sewer replacement project (\$1,900,000), wrap up of the Perryville Road Water Storage Tank project (\$359,000), along with planning of various other utility projects.

**CITY OF DANVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

*YEAR ENDED JUNE 30, 2023*

**Long-Term Debt**

The principal outstanding on the City's long-term debt is summarized in the following table. (Excluding deferred amounts and leases)

**City of Danville's Outstanding Debt**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
KLC Funding Trust	\$ 3,169,000	\$ -	\$ 3,169,000
Series 2012 GO Bonds	2,955,000	-	2,955,000
Series 2014 GO Bonds (A&C)	-	2,855,000	2,855,000
Series 2017 GO Bonds (A&B)	934,000	8,811,000	9,745,000
Series 2018 GO Bonds	8,965,000	-	8,965,000
Series 2015 Bonds (A&B)	-	12,324,000	12,324,000
Series 2020 Bonds (A&B)	166,000	11,924,000	12,090,000
Series 2010 Build America Bond	-	495,000	495,000
KIA Loan – Water Treatment Plant	-	9,156,650	9,156,650
KIA Loan - Water Tower	-	3,295,000	3,295,000
<b>Total</b>	<b>\$ 16,189,000</b>	<b>\$ 48,860,650</b>	<b>\$ 65,049,650</b>

The City's long-term debt decreased approximately \$2,000,000 during the fiscal year.

**Economic Factors and Next Year's Budget**

The City continued into fiscal year 2023 on several of the projects commenced in fiscal year 2022, including Streetscape project and several utility projects. Several significant projects are planned for fiscal year 2024 including the Michael Smith Splash Pad and wrap up of ongoing parks projects.

City management continues to monitor the impact of inflation and supply chain disruptions on the financials of the City.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Danville, Kentucky, 445 West Main Street, Danville, KY 40422, and telephone number (859) 238-1200.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**

*JUNE 30, 2023*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 5,452,644	\$ 2,059,259	\$ 7,511,903
Investments	7,393,357	365,422	7,758,779
Receivables, net	528,310	1,454,827	1,983,137
Current portion of lease receivable	-	103,090	103,090
Inventory	-	242,599	242,599
Internal balances	13,815,096	-	13,815,096
Total Current Assets	<u>27,189,407</u>	<u>4,225,197</u>	<u>31,414,604</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	13,862,989	13,862,989
Restricted investments	-	501,095	501,095
Lease receivable, net of current portion	-	1,863,925	1,863,925
Capital assets:			
Nondepreciable capital assets	18,469,453	27,070,160	45,539,613
Depreciable capital assets, net	25,518,160	61,130,285	86,648,445
Leased assets, net	1,087,013	450,737	1,537,750
Total Noncurrent Assets	<u>45,074,626</u>	<u>104,879,191</u>	<u>149,953,817</u>
Total Assets	<u>72,264,033</u>	<u>109,104,388</u>	<u>181,368,421</u>
Deferred Outflows of Resources:			
Deferred outflows on refunding	-	32,126	32,126
Deferred outflows - police and firefighters' retirement	32,279	-	32,279
Deferred outflows - pension	5,253,521	1,817,956	7,071,477
Deferred outflows - OPEB	2,519,354	1,058,334	3,577,688
Total Deferred Outflows of Resources	<u>7,805,154</u>	<u>2,908,416</u>	<u>10,713,570</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 80,069,187</u>	<u>\$ 112,012,804</u>	<u>\$ 192,081,991</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE KENTUCKY**  
**STATEMENT OF NET POSITION (CONTINUED)**

*JUNE 30, 2023*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 3,671,994	\$ 2,000,002	\$ 5,671,996
Accrued payroll and benefits	408,838	163,743	572,581
Accrued interest payable	44,404	305,056	349,460
Internal balances	21,177	13,793,919	13,815,096
Unearned revenue	1,587,649	5,057,427	6,645,076
Current portion of compensated absences	-	8,972	8,972
Current portion of lease liability	351,564	145,295	496,859
Current portion of bonds and notes payable	788,829	1,696,048	2,484,877
Total Current Liabilities	<u>6,874,455</u>	<u>23,170,462</u>	<u>30,044,917</u>
Noncurrent Liabilities:			
Compensated absences, net of current portion	348,496	170,457	518,953
Lease liability, net of current portion	734,930	406,319	1,141,249
Bonds and notes payable, net of current portion	15,816,971	48,278,279	64,095,250
Net pension liability - police and firefighters' retirement	753,443	-	753,443
Net pension liability - CERS	21,437,071	6,219,379	27,656,450
Net OPEB liability - CERS	5,922,795	1,723,906	7,646,701
Total Noncurrent Liabilities	<u>45,013,706</u>	<u>56,798,340</u>	<u>101,812,046</u>
Total Liabilities	<u>51,888,161</u>	<u>79,968,802</u>	<u>131,856,963</u>
Deferred Inflows of Resources:			
Deferred inflows - lease receivable	-	1,932,154	1,932,154
Deferred inflows - pension	266,757	147,792	414,549
Deferred inflows - OPEB	1,702,807	624,666	2,327,473
Total Deferred Inflows of Resources	<u>1,969,564</u>	<u>2,704,612</u>	<u>4,674,176</u>
Total Liabilities and Deferred Inflows of Resources	<u>53,857,725</u>	<u>82,673,414</u>	<u>136,531,139</u>
Net Position:			
Net investment in capital assets	27,382,332	38,157,367	65,539,699
Restricted	-	14,364,084	14,364,084
Unrestricted	(1,170,870)	(23,182,061)	(24,352,931)
Total Net Position	<u>26,211,462</u>	<u>29,339,390</u>	<u>55,550,852</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 80,069,187</u>	<u>\$ 112,012,804</u>	<u>\$ 192,081,991</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government:							
Governmental Activities:							
General government	\$ 7,727,896	\$ 366,191	\$ 842,165	\$ -	\$ (6,519,540)	\$ -	\$ (6,519,540)
Public services	1,132,727	-	-	-	(1,132,727)	-	(1,132,727)
Public safety	9,126,548	547,596	381,830	-	(8,197,122)	-	(8,197,122)
Community services	1,487,417	372,464	-	-	(1,114,953)	-	(1,114,953)
Interest	2,761,146	-	-	-	(2,761,146)	-	(2,761,146)
Total Governmental Activities	22,235,734	1,286,251	1,223,995	-	(19,725,488)	-	(19,725,488)
Business-Type Activities:							
Utilities	11,816,967	11,492,278	-	-	-	(324,689)	(324,689)
Parking	502,675	274,948	-	-	-	(227,727)	(227,727)
Garbage	1,369,222	1,218,101	-	-	-	(151,121)	(151,121)
Cemetery	353,000	152,759	-	-	-	(200,241)	(200,241)
Museum	81,306	8,570	-	-	-	(72,736)	(72,736)
Storm water	573,609	568,630	-	-	-	(4,979)	(4,979)
Total Business-Type Activities	14,696,779	13,715,286	-	-	-	(981,493)	(981,493)
Total Primary Government	\$ 36,932,513	\$ 15,001,537	\$ 1,223,995	\$ -	(19,725,488)	(981,493)	(20,706,981)
General Revenues:							
Taxes					2,374,042	-	2,374,042
Licenses and fees					19,644,890	-	19,644,890
Fines and forfeitures					16,351	-	16,351
Other					2,004,807	458,908	2,463,715
Total General Revenues					24,040,090	458,908	24,498,998
Transfers (out) in					(1,146,141)	1,146,141	-
Total General Revenues and Transfers					22,893,949	1,605,049	24,498,998
Change in net position					3,168,461	623,556	3,792,017
Net position, beginning of year, as restated					23,043,001	28,715,834	51,758,835
Net position, end of year					\$ 26,211,462	\$ 29,339,390	\$ 55,550,852

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**

JUNE 30, 2023

	General Fund	Streetscape Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	2,109,806	\$ 1,302,945	\$ 2,039,893	\$ 5,452,644
Investments	7,386,790	-	6,567	7,393,357
Receivables, net	461,320	-	66,990	528,310
Internal balances	13,815,096	-	-	13,815,096
<b>Total Assets</b>	<b>\$ 23,773,012</b>	<b>\$ 1,302,945</b>	<b>\$ 2,113,450</b>	<b>\$ 27,189,407</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 1,087,535	\$ 1,729,594	\$ 854,865	\$ 3,671,994
Accrued payroll and benefits	355,927	-	52,911	408,838
Internal balances	-	-	21,177	21,177
Unearned revenue	1,471,823	-	115,826	1,587,649
<b>Total Liabilities</b>	<b>2,915,285</b>	<b>1,729,594</b>	<b>1,044,779</b>	<b>5,689,658</b>
Fund Balance:				
Restricted	-	-	934,521	934,521
Assigned	-	-	134,150	134,150
Unrestricted	20,857,727	(426,649)	-	20,431,078
<b>Total Fund Balance</b>	<b>20,857,727</b>	<b>(426,649)</b>	<b>1,068,671</b>	<b>21,499,749</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 23,773,012</b>	<b>\$ 1,302,945</b>	<b>\$ 2,113,450</b>	<b>\$ 27,189,407</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balance reported above				\$ 21,499,749
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				45,074,626
Long-term liabilities, including bonds, leases and notes payable, net pension/OPEB liability, and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				(46,198,503)
Net deferred inflows/outflows related to the long-term pension/OPEB liability are not reported in the funds.				5,835,590
<b>Net Position of Governmental Activities</b>				<b>\$ 26,211,462</b>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2023

	General Fund	Streetscape Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,374,042	\$ -	\$ -	\$ 2,374,042
Licenses and fees	19,644,890	-	-	19,644,890
Intergovernmental revenue	1,223,995	-	688,982	1,912,977
Fines and forfeitures	10,386	-	5,965	16,351
Other revenues	1,651,218	976	387,348	2,039,542
Total Revenues	<u>24,904,531</u>	<u>976</u>	<u>1,082,295</u>	<u>25,987,802</u>
Expenditures:				
Current Operating:				
General government	6,990,815	-	-	6,990,815
Public services	2,217,902	-	1,696,686	3,914,588
Public safety	7,750,290	-	11,063	7,761,353
Community services	-	-	19,620	19,620
Debt service:				
Principal	1,083,337	-	18,069	1,101,406
Interest	688,633	-	-	688,633
Capital outlay	3,094,814	6,841,780	4,627,128	14,563,722
Total Expenditures	<u>21,825,791</u>	<u>6,841,780</u>	<u>6,372,566</u>	<u>35,040,137</u>
Excess (deficiency) of revenues over expenditures	<u>3,078,740</u>	<u>(6,840,804)</u>	<u>(5,290,271)</u>	<u>(9,052,335)</u>
Other Financing Sources (Uses):				
Lease proceeds	562,548	-	-	562,548
Transfers from other funds	25,000	6,279,648	5,280,864	11,585,512
Transfers to other funds	(12,706,653)	-	(25,000)	(12,731,653)
Total Other Financing Sources (Uses)	<u>(12,119,105)</u>	<u>6,279,648</u>	<u>5,255,864</u>	<u>(583,593)</u>
Net change in fund balance	(9,040,365)	(561,156)	(34,407)	(9,635,928)
Fund balance, beginning of year	29,898,092	134,507	1,103,078	31,135,677
Fund balance, end of year	<u>\$ 20,857,727</u>	<u>\$ (426,649)</u>	<u>\$ 1,068,671</u>	<u>\$ 21,499,749</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances				\$ (9,635,928)
Add capital outlay				15,074,058
Add debt service				1,083,337
Less depreciation and amortization on governmental activities assets				(2,063,475)
New lease liability				(562,548)
Change in net pension liability - CERS				(579,500)
Change in net OPEB liability - CERS				(292,661)
Change in net pension liability - police & firefighters' retirement				221,796
Change in accrued interest				(44,405)
Change in compensated absences				(32,213)
Change In Net Position of Governmental Activities				<u>\$ 3,168,461</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION –**  
**PROPRIETARY FUNDS**

JUNE 30, 2023

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 119,889	\$ -	\$ 1,334,039	\$ 605,331	\$ 2,059,259
Investments	-	256,081	-	109,341	365,422
Accounts receivable, net	1,276,271	39,544	32,616	106,396	1,454,827
Current portion of lease receivable	-	103,090	-	-	103,090
Inventory	242,599	-	-	-	242,599
<b>Total Current Assets</b>	<b>1,638,759</b>	<b>398,715</b>	<b>1,366,655</b>	<b>821,068</b>	<b>4,225,197</b>
Noncurrent Assets:					
Restricted cash and cash equivalents	13,862,989	-	-	-	13,862,989
Restricted investments	501,095	-	-	-	501,095
Lease receivable, net of current portion	-	1,863,925	-	-	1,863,925
Capital assets:					
Nondepreciable capital assets	25,988,283	885,906	109,032	86,939	27,070,160
Depreciable capital assets	91,415,753	8,143,971	2,373,682	1,345,950	103,279,356
Leased assets	721,474	-	62,730	21,894	806,098
Less accumulated depreciation and amortization	(38,458,998)	(2,951,825)	(636,638)	(456,971)	(42,504,432)
<b>Total Noncurrent Assets</b>	<b>94,030,596</b>	<b>7,941,977</b>	<b>1,908,806</b>	<b>997,812</b>	<b>104,879,191</b>
<b>Total Assets</b>	<b>95,669,355</b>	<b>8,340,692</b>	<b>3,275,461</b>	<b>1,818,880</b>	<b>109,104,388</b>
Deferred Outflows Of Resources:					
Deferred outflows on refunding	-	32,126	-	-	32,126
Deferred outflows - pension	1,617,237	21,862	127,824	51,033	1,817,956
Deferred outflows - OPEB	945,998	13,266	71,055	28,015	1,058,334
<b>Total Deferred Outflows of Resources</b>	<b>2,563,235</b>	<b>67,254</b>	<b>198,879</b>	<b>79,048</b>	<b>2,908,416</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 98,232,590</b>	<b>\$ 8,407,946</b>	<b>\$ 3,474,340</b>	<b>\$ 1,897,928</b>	<b>\$ 112,012,804</b>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION –**  
**PROPRIETARY FUNDS (CONTINUED)**

JUNE 30, 2023

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 1,827,799	\$ 3,842	\$ 38,416	\$ 129,945	\$ 2,000,002
Accrued payroll and benefits	150,645	1,509	7,696	3,893	163,743
Accrued interest payable	292,131	9,499	2,619	807	305,056
Due to other funds	13,643,517	90,072	-	60,330	13,793,919
Unearned revenue	5,057,427	-	-	-	5,057,427
Current portion of compensated absences	8,147	38	534	253	8,972
Current portion of lease liability	130,578	-	14,717	-	145,295
Current portion of bonds and notes payable	1,470,440	180,433	43,400	1,775	1,696,048
Total Current Liabilities	<u>22,580,684</u>	<u>285,393</u>	<u>107,382</u>	<u>197,003</u>	<u>23,170,462</u>
Noncurrent Liabilities:					
Compensated absences, net of current portion	154,797	716	10,143	4,801	170,457
Lease liability, net of current portion	380,025	-	26,294	-	406,319
Bonds and notes payable, net of current portion	44,988,884	2,981,143	275,800	32,452	48,278,279
Net pension liability - CERS	5,543,273	76,054	429,432	170,620	6,219,379
Net OPEB liability - CERS	1,537,735	21,229	118,113	46,829	1,723,906
Total Noncurrent Liabilities	<u>52,604,714</u>	<u>3,079,142</u>	<u>859,782</u>	<u>254,702</u>	<u>56,798,340</u>
Total Liabilities	<u>75,185,398</u>	<u>3,364,535</u>	<u>967,164</u>	<u>451,705</u>	<u>79,968,802</u>
Deferred Inflows of Resources:					
Deferred inflows - lease receivable	-	1,932,154	-	-	1,932,154
Deferred inflows - pension	138,120	2,572	5,447	1,653	147,792
Deferred inflows - OPEB	559,533	7,969	41,069	16,095	624,666
Total Deferred Inflows of Resources	<u>697,653</u>	<u>1,942,695</u>	<u>46,516</u>	<u>17,748</u>	<u>2,704,612</u>
Net Position:					
Net investment in capital assets	32,696,585	2,948,602	1,548,595	963,585	38,157,367
Restricted	14,364,084	-	-	-	14,364,084
Unrestricted	(24,711,130)	152,114	912,065	464,890	(23,182,061)
Total Net Position	<u>22,349,539</u>	<u>3,100,716</u>	<u>2,460,660</u>	<u>1,428,475</u>	<u>29,339,390</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 98,232,590</u>	<u>\$ 8,407,946</u>	<u>\$ 3,474,340</u>	<u>\$ 1,897,928</u>	<u>\$ 112,012,804</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –**  
**PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2023

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
Operating Revenues:					
Water sales	\$ 5,290,080	\$ -	\$ -	\$ -	\$ 5,290,080
Water surcharge	17,214	-	-	-	17,214
Sewer charges	5,602,907	-	-	-	5,602,907
Parking rental fees	-	269,625	-	-	269,625
Other fees for services	-	-	568,630	1,370,860	1,939,490
Other revenues	582,077	5,323	-	8,570	595,970
Total Operating Revenues	<u>11,492,278</u>	<u>274,948</u>	<u>568,630</u>	<u>1,379,430</u>	<u>13,715,286</u>
Operating Expenses:					
Water	4,707,074	-	-	-	4,707,074
Sewer	2,391,087	-	-	-	2,391,087
Perryville	213,186	-	-	-	213,186
Personnel	-	51,807	368,515	170,524	590,846
Contractual	-	143,548	82,661	1,596,734	1,822,943
Management fees	474,733	-	-	-	474,733
Depreciation	1,640,118	196,790	52,849	22,872	1,912,629
Amortization	170,401	-	-	-	170,401
Other operating expenses	1,079,851	6,787	44,189	13,398	1,144,225
Total Operating Expenses	<u>10,676,450</u>	<u>398,932</u>	<u>548,214</u>	<u>1,803,528</u>	<u>13,427,124</u>
Operating Income (Loss)	<u>815,828</u>	<u>(123,984)</u>	<u>20,416</u>	<u>(424,098)</u>	<u>288,162</u>
Nonoperating Revenues (Expenses):					
Interest income	380,999	47,732	23,527	6,650	458,908
Interest expense	(1,140,517)	(103,743)	(25,395)	-	(1,269,655)
Total Nonoperating Revenues (Expenses)	<u>(759,518)</u>	<u>(56,011)</u>	<u>(1,868)</u>	<u>6,650</u>	<u>(810,747)</u>
Income (Loss) Before Transfers	56,310	(179,995)	18,548	(417,448)	(522,585)
Transfers from other funds	-	285,000	-	861,141	1,146,141
Change in net position	56,310	105,005	18,548	443,693	623,556
Net position, beginning of year	22,293,229	2,995,711	2,442,112	984,782	28,715,834
Net position, end of year	<u>\$ 22,349,539</u>	<u>\$ 3,100,716</u>	<u>\$ 2,460,660</u>	<u>\$ 1,428,475</u>	<u>\$ 29,339,390</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2023

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 13,023,023	\$ 244,398	\$ 572,703	\$ 1,388,635	\$ 15,228,759
Payments to suppliers	(4,814,224)	(107,412)	(165,326)	(1,646,721)	(6,733,683)
Payments to employees	(4,080,385)	(47,003)	(352,175)	(137,876)	(4,617,439)
Net cash flows from operating activities	<u>4,128,414</u>	<u>89,983</u>	<u>55,202</u>	<u>(395,962)</u>	<u>3,877,637</u>
<b>Cash flows from noncapital financing activities:</b>					
Receipts (payments) on interfund loans	13,233,066	285,000	-	861,141	14,379,207
Other revenues	<u>582,077</u>	<u>5,323</u>	<u>-</u>	<u>8,570</u>	<u>595,970</u>
Net cash flows from noncapital financing activities	<u>13,815,143</u>	<u>290,323</u>	<u>-</u>	<u>869,711</u>	<u>14,975,177</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(11,330,919)	(37,277)	(18,020)	(573,358)	(11,959,574)
Principal paid on bonds and notes	(1,465,840)	(182,680)	(42,700)	(1,719)	(1,692,939)
Interest paid on bonds, leases, and notes	(1,140,517)	(103,743)	(25,395)	-	(1,269,655)
Proceeds from bonds and notes	442,517	-	-	-	442,517
Principal paid on lease obligations	(132,289)	-	(13,224)	(4,714)	(150,227)
Net cash flows from capital and related financing activities	<u>(13,627,048)</u>	<u>(323,700)</u>	<u>(99,339)</u>	<u>(579,791)</u>	<u>(14,629,878)</u>
<b>Cash flows from investing activities</b>					
Receipt of interest	380,999	47,732	86,479	42,785	557,995
Purchase of investments	(8,877)	(212,715)	-	-	(221,592)
Net cash flows from investing activities	<u>372,122</u>	<u>(164,983)</u>	<u>86,479</u>	<u>42,785</u>	<u>336,403</u>
Net change in cash and cash equivalents	4,688,631	(108,377)	42,342	(63,257)	4,559,339
Cash and cash equivalents, beginning of year	<u>9,294,247</u>	<u>108,377</u>	<u>1,291,697</u>	<u>668,588</u>	<u>11,362,909</u>
Cash and cash equivalents end of year	<u>\$ 13,982,878</u>	<u>\$ -</u>	<u>\$ 1,334,039</u>	<u>\$ 605,331</u>	<u>\$ 15,922,248</u>
<b>Schedule of Noncash Reconciling Items</b>					
New lease agreements	<u>\$ 255,864</u>	<u>\$ -</u>	<u>\$ 15,975</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS (CONTINUED) –**  
**PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2023

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$ 815,828	\$ (123,984)	\$ 20,416	\$ (424,098)	\$ 288,162
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation and amortization	1,810,519	196,790	52,849	22,872	2,083,030
Bad debts	1,833	6,753	(28,674)	1,575	(18,513)
Change in assets and liabilities:					
Accounts receivable, net	(685,778)	(7,175)	(24,601)	(27,225)	(744,779)
Lease receivable, net	-	311,956	-	-	311,956
Inventory	(21,793)	-	-	-	(21,793)
Deferred outflows	(1,272,352)	(16,141)	(108,777)	(44,213)	(1,441,483)
Unearned revenue	2,810,300	-	-	-	2,810,300
Accounts payable	(815,539)	33,337	19,768	19,544	(742,890)
Compensated absences	18,909	(125)	(674)	2,959	21,069
Accrued expenses	28,654	155	(546)	1,497	29,760
Accrued interest	(21,816)	(240)	(350)	-	(22,406)
Customer deposits	(11,700)	-	-	-	(11,700)
OPEB liability	216,601	2,748	18,518	7,526	245,393
Pension liability	1,142,422	14,493	97,670	39,698	1,294,283
Deferred inflows	112,326	(328,584)	9,603	3,903	(202,752)
Net cash flows from operating activities	<u>\$ 4,128,414</u>	<u>\$ 89,983</u>	<u>\$ 55,202</u>	<u>\$ (395,962)</u>	<u>\$ 3,877,637</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION –**  
**FIDUCIARY FUNDS**

*JUNE 30, 2023*

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	<b>Police and Firefighters' Pension Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 78,608
Investments	834,721
<b>Total Assets</b>	<u>\$ 913,329</u>
 <b>NET POSITION</b>	
Net position held in trust for pension benefits	<u>\$ 913,329</u>
<b>Total Net Position</b>	<u>\$ 913,329</u>

The accompanying notes to the financial statements are an integral part of these statements.

**CITY OF DANVILLE, KENTUCKY**  
**STATEMENT OF CHANGES IN NET POSITION –**  
**FIDUCIARY FUNDS**

*YEAR ENDED JUNE 30, 2023*

	<b>Police and Firefighters' Pension Fund</b>
<b>Additions:</b>	
Employer contributions	\$ 135,000
Interest and dividends	38,449
Realized gains on investments	1,492
Unrealized gains on investments	41,764
Total Additions	<u>216,705</u>
<b>Deductions:</b>	
Benefit payments	163,122
Investment expense	3,443
Total Deductions	<u>166,565</u>
Change in net position	50,140
Net position, beginning of year	<u>863,189</u>
Net position, end of year	<u><u>\$ 913,329</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

# CITY OF DANVILLE, KENTUCKY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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### Note 1—Summary of significant accounting policies

The accounting policies of the City of Danville, Kentucky (the City) conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

*Reporting Entity* – The City of Danville, Kentucky, is a municipal corporation operating as a "City Manager Plan Government" as provided by Kentucky Revised Statutes ("KRS") 83A.150. The City, which is governed by an elected five member Board of Commissioners, possesses all powers enumerated under KRS 83A.150 as well as KRS 82.082 - the home rule statute. The City has evaluated various organizations with which it is related and determined that there are no component units as defined by GASB. Therefore, there are no component units included in the City's reporting entity.

*Related Organizations* – The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City's Mayor, with the consent of the City Board of Commissioners, appoints the board members of the Housing Authority of Danville, the Parking Authority of Danville, and the Danville Urban Renewal and Community Development Agency.

*Jointly Governed Organizations* – The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission ("DBCPZC"). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$75,000 for an operating grant to the DBCPZC for the year ended June 30, 2023.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board ("DBCAB"). The board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$91,000 for an operating grant to the DBCAB for the year ended June 30, 2023.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission ("DBCTC"). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2023.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 1—Summary of significant accounting policies (continued)**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when the liability has matured, with the exception of interest and principal which are recognized as expenditures when funds are transferred to the debt service fund to make payments due shortly after the fiscal year-end.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenue, and charges for services are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, net profit tax revenues and special assessments are considered to be measurable and available only when cash is received by the City.

Funds are classified into these categories: governmental, proprietary, and fiduciary.

**Major Governmental Funds:**

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Streetscape Fund accounts for the use of downtown public pedestrian improvements and is a capital projects improvements fund.

**Major Proprietary Funds:**

The Utilities Fund accounts for the activities of the water and sewer services provided to the residents of the City and the surrounding areas.

The Parking Fund accounts for the operation of the City's parking facilities (parking spaces, lots, and parking garage).

The Storm Water Fund accounts for operation and maintenance of the City's infrastructure such as inlets, pipes, culverts, and retention basins.

Additionally, the City reports the following fiduciary fund

The pension trust fund accounts for the activities of the Police and Firefighters' Retirement Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 1—Summary of significant accounting policies (continued)**

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments from the Utilities Fund to the General Fund to compensate the General Fund for administrative services provided to the Utilities Fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the parking fund are parking space rental fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

*Cash Deposits and Investments* – The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

KRS 95.610 expands the above list of allowable investments for pension trust funds to include corporate notes and equity securities, real estate mortgages, real estate, and life insurance annuity and endowment contracts.

All investments are reported at fair value.

Certain cash and investment amounts are classified on the statement of net position as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purpose.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 1—Summary of significant accounting policies (continued)**

*Receivables and Payables* – Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on varying percentages depending on the age of the receivable.

*Lease Receivable* –The City recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of the lease payments expected to be received during the lease period. The deferred inflow of resources is measured as the value of the lease payments of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. Revenue from leases is recognized by recognizing the deferred inflow of resources on a straight-line basis over the period of the leases.

*Inventories* – All inventories are valued at lower of cost or market, using the first-in first-out (FIFO) method.

*Restricted Assets* – Certain resources set aside for the repayment of the Utilities Fund debt have been classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets have been accounted for in accordance with the provisions of the Utilities Fund revenue bond resolutions or with state or federal laws and regulations.

*Debt Service Reserve* - The City is required to set aside the lower of the maximum annual debt service, 125% of the average annual debt service, or 10% of the original net proceeds of the revenue bond issues. The City must continue deposits into the debt service reserve until the funds equal the amount required to retire all outstanding bonds and related accrued interest.

*Depreciation Reserve* - Revenue bond covenants require the City to set aside \$2,085 monthly until the 1967 and 2003 bonds are retired. The Depreciation Reserve may be used to provide funding for future improvements, extensions, additions or enlargements to the system. Any amount over \$500,000 in the depreciation fund may be used to redeem and retire bonds outstanding before maturity. Also, Kentucky Infrastructure Authority covenants require the City to transfer annually \$48,910 to a replacement reserve until \$489,100 is accumulated in the account.

In addition, the 2010 Rural Development Build America bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City’s water system.

At June 30, 2023, the City maintained restricted cash and investments as follows:

Debt Service Reserve	\$	7,863,422
Depreciation Reserve		1,443,235
Unexpended grant proceeds		<u>5,057,427</u>
Total Restricted Cash	\$	<u><u>14,364,084</u></u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 1—Summary of significant accounting policies (continued)**

*Capital Assets* – Capital assets, which include property, plant, equipment, leased assets, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure, buildings, improvements, plant, equipment, and other capital assets of the government are depreciated using the straight line method over the following estimated useful lives.

Infrastructure	10-50 Years
Buildings	20-50 Years
Improvements	10-20 Years
Infrastructure - Water and Sewer Distribution System	2-50 Years
Infrastructure - Studies, Surveys, and Maps	2-10 Years
Equipment	2-10 Years
Vehicles	3-10 Years

*Compensated Absences* – All non-public safety employees earn vacation leave at a rate of 5/6 of a day per month (80 hours per year) up to 10 years of service, 1-1/4 days per month (120 hours per year) for greater than 10 years of service, and 1-2/3 days per month (160 hours per year) for greater than 20 years of service. Public safety employees earn vacation leave at a rate of 1-1/4 days per month (120 hours per year) for police and 1-3/4 days per month (168 hours per year) for firefighters assigned to 24-hour shifts. The City personnel policy states that employees may accrue unlimited vacation leave. However, after the original probation period, any employee who terminates employment with the City shall be compensated for no more than 240 hours of accrued vacation leave (except the Fire Department employees assigned to 24-hour shifts may be compensated for no more than 336 hours). Any vacation hours above 240 shall be converted to sick leave upon retirement from the City of Danville.

All employees occupying established full-time positions with the City are granted one day (eight hours) sick leave per each full month of service, except that Fire Department employees assigned to 24-hour shifts shall accrue twelve hours credit for each month of service. Sick leave credit may be utilized by employees in 1/4 day increments when they are unable to perform their duties because of sickness or injury. Employees may accrue an unlimited amount of sick leave. Employees who terminate employment with the City are not compensated for accrued but unused sick leave, except that employees who retire and participate in the County Employees' Retirement System ("CERS") retirement program immediately upon termination of employment, shall have the accrued but unused sick leave utilized to purchase additional retirement benefits on their behalf, based on a schedule as outlined in the City's personnel policies and procedures manual.

*Long-Term Obligations* – In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts and premiums are deferred and amortized over the term of the related issues. Bonds payable are reported net of the applicable discounts and premiums.

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

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 1—Summary of significant accounting policies (continued)**

*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 County 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.

*Postemployment 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 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.

*Net Position* – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

*Deferred Inflows of Resources on Refunding* – The deferred amount of refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and is being credited to interest income over the life of the refunding debt using the straight-line method.

*Fund Balance* – Fund balance of the governmental funds is classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action of Danville. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

*Assigned* – For all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

*Unassigned* – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the City considers amounts to have been spent first out of committed funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions. Further, the Streetscape and Garbage funds have deficit balances of \$426,649 and \$70,665, as of June 30, 2023, respectively. These deficits are related to accounts payable exceeding assets.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 1—Summary of significant accounting policies (continued)**

*Reconciliation of Government-Wide and Fund Financial Statements* – The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. Capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the Statement of Activities. Capital outlay is replaced with depreciation expense. Capital lease and bond issuance revenues are added, while principal payments on long-term debt are eliminated from the operating costs.

**Note 2—Stewardship, compliance, and accountability (continued)**

*Property Taxes* – The City bills and collects its property taxes through the Boyle County Sheriff's Office. The City elects to use annual property assessments prepared by the Boyle County Property Valuation Administrator. According to the KRS, the assessment date for the City must conform to the January 1 assessment date of Boyle County.

For the year ended June 30, 2023, taxes were levied November 1, 2022 and were payable by December 31, 2022. A 10% penalty was imposed on all taxes delinquent as of January 1, 2023. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2023, delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth, without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 13.80 cents per \$100 on real property, 19.02 cents per \$100 on personal property, and 20.00 cents per \$100 on motor vehicles and personal watercraft for the fiscal year ended June 30, 2023, are within permissible limits under the above legislation.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 3—Cash deposits and investments**

The City's investment policy follows applicable state statutes and allows the City to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies, and certain shares of mutual funds. In addition, trust funds may invest in uninsured corporate securities.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a policy regarding interest rate risk.

*Credit Risk* – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the City held investments in one municipal bond.

Over 90% of the primary government's investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (AAA rated) and U.S. Agencies.

Over 90% of the fiduciary fund investments are in A to BAA rated Corporate Bonds, 14 different Mutual Funds and 18 different Domestic Equities.

*Custodial Credit Risk* – Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be insured or collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third party custodian.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 3—Cash deposits and investments (continued)**

As of June 30, 2023, the City's deposits were fully covered by federal depository insurance or by collateral held by the custodial banks in the City's name.

Total bank deposits	\$ 29,397,715
FDIC insured	(1,246,956)
Collateral held by pledging bank	<u>(30,463,240)</u>
(Over) collateralized	<u>\$ (2,312,481)</u>

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that, with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

The fiduciary fund places no limit on the amount the fund may invest in any one issuer. The fiduciary fund has 52% of its investments invested in common stock of 18 companies. The remaining investments are concentrated as follows – 11% in corporate bonds, 28% in mutual funds, 5% in alternative investments, and 3% in foreign equities.

The City's investments at June 30, 2023 are as follows:

Investment type	Carrying Value	Investment Maturities in Years			
		1 year or less	1-5	6-10	More than 10
<b>Governmental Funds:</b>					
U.S. Agencies	\$ 688,691	\$ 49,292	\$ 353,874	\$ 285,526	\$ -
Municipal Bonds	24,479	24,479	-	-	-
Money Market and Mutual Funds	340,310	340,310	-	-	-
Certificates of Deposit at amortized cost	6,339,877	5,646,620	693,257	-	-
Totals	<u>\$ 7,393,357</u>	<u>\$ 6,060,701</u>	<u>\$ 1,047,131</u>	<u>\$ 285,526</u>	<u>\$ -</u>
<b>Fiduciary Funds:</b>					
Corporate Bonds	\$ 92,675	\$ -	\$ 92,675	\$ -	\$ -
Mutual Funds	235,328	235,328	-	-	-
Foreign Equities	29,000	29,000	-	-	-
Alternative Investments	44,187	44,187	-	-	-
Domestic Equities	433,531	433,531	-	-	-
Totals	<u>\$ 834,721</u>	<u>\$ 742,046</u>	<u>\$ 92,675</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Proprietary Funds:</b>					
Money Market and Mutual Funds	<u>\$ 866,517</u>	<u>\$ 866,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Investment Valuation* – The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 3—Cash deposits and investments (continued)**

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2023:

Investment type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Governmental Funds:</b>				
U.S. agencies	\$ 688,691	\$ 688,691	\$ -	\$ -
Municipal bonds	24,479	-	24,479	-
Money market and mutual funds	340,310	340,310	-	-
Total investments at fair value	1,053,480	\$ 1,029,001	\$ 24,479	\$ -
Certificates of deposit at amortized cost	6,339,877	-	-	-
Totals	\$ 7,393,357			
<b>Fiduciary Funds:</b>				
Corporate bonds	\$ 92,675	\$ -	\$ 92,675	\$ -
Mutual funds	235,328	235,328	-	-
Foreign equities	29,000	29,000	-	-
Alternative investments	44,187	-	44,187	-
Domestic equities	433,531	433,531	-	-
Totals	\$ 834,721	\$ 697,859	\$ 136,862	\$ -
<b>Proprietary Funds:</b>				
Money Market and Mutual Funds	\$ 866,517	\$ 866,517	\$ -	\$ -

**Note 4—Receivables**

Receivables at June 30, 2023 were as follows:

	General Fund	Nonmajor Funds	Governmental Funds Total	Utilities Fund	Parking Fund	Storm Water Fund	Nonmajor Funds	Proprietary Funds Total
<b>Governmental Funds:</b>								
Taxes	\$ 33,262	\$ -	\$ 33,262					
Licenses and fees	307,470	-	307,470					
Intergovernmental	82,847	36,845	119,692					
Fines and forfeitures	485	-	485					
Other revenues	37,256	30,145	67,401					
Total Receivables	\$ 461,320	\$ 66,990	\$ 528,310					
<b>Proprietary Funds:</b>								
Customers	\$ 2,100,031	\$ 50,869	\$ 130,436	\$ 252,204	\$ 2,533,540			
Intergovernmental	175,828	-	-	-	175,828			
Gross receivables	2,275,859	50,869	130,436	252,204	2,709,368			
Less allowance for uncollectible	(999,588)	(11,325)	(97,820)	(145,808)	(1,254,541)			
Net Receivables	\$ 1,276,271	\$ 39,544	\$ 32,616	\$ 106,396	\$ 1,454,827			

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 5—Capital assets**

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,734,592	\$ -	\$ -	\$ 4,734,592
Construction in progress	7,876,549	13,260,645	(7,402,333)	13,734,861
Total	<u>12,611,141</u>	<u>13,260,645</u>	<u>(7,402,333)</u>	<u>18,469,453</u>
Capital assets being depreciated or amortized:				
Improvements	2,251,014	-	-	2,251,014
Buildings	12,516,263	7,530,272	-	20,046,535
Vehicles	4,138,660	690,553	(177,278)	4,651,935
Equipment	6,045,651	503,266	(10)	6,548,907
Leased assets - vehicles	1,117,184	491,655	-	1,608,839
Total	<u>26,068,772</u>	<u>9,215,746</u>	<u>(177,288)</u>	<u>35,107,230</u>
Total non-infrastructure assets	38,679,913	22,476,391	(7,579,621)	53,576,683
Infrastructure	88,783,553	-	-	88,783,553
Total capital assets	<u>127,463,466</u>	<u>22,476,391</u>	<u>(7,579,621)</u>	<u>142,360,236</u>
Accumulated depreciation:				
Land improvements	946,365	26,671	-	973,036
Buildings	4,590,971	435,141	-	5,026,112
Vehicles	3,723,075	283,607	(177,278)	3,829,404
Equipment	3,689,717	729,081	(10)	4,418,788
Infrastructure	82,148,932	367,512	-	82,516,444
Total	<u>95,099,060</u>	<u>1,842,012</u>	<u>(177,288)</u>	<u>96,763,784</u>
Accumulated amortization:				
Leased assets - vehicles	300,363	221,463	-	521,826
Total	<u>300,363</u>	<u>221,463</u>	<u>-</u>	<u>521,826</u>
Total capital assets, net	<u>\$ 32,064,043</u>	<u>\$ 20,412,916</u>	<u>\$ (7,402,333)</u>	<u>\$ 45,074,626</u>

Depreciation and amortization expense was charged to the governmental functions as follows:

General government	\$ 1,241,020
Public services	312,992
Public safety	509,463
Total depreciation expense	<u>\$ 2,063,475</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 5—Capital assets (continued)**

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,557,350	\$ -	\$ -	\$ 1,557,350
Construction in progress	14,715,586	11,050,104	(252,880)	25,512,810
Total	<u>16,272,936</u>	<u>11,050,104</u>	<u>(252,880)</u>	<u>27,070,160</u>
Capital assets being depreciated or amortized:				
Buildings	36,827,381	831,932	-	37,659,313
Improvements	476,276	45,834	-	522,110
Vehicles	657,537	-	-	657,537
Equipment	1,755,340	109,343	-	1,864,683
Infrastructure	62,575,713	-	-	62,575,713
Leased assets - vehicles	630,857	271,839	(96,598)	806,098
Total	<u>102,923,104</u>	<u>1,258,948</u>	<u>(96,598)</u>	<u>104,085,454</u>
Total capital assets	<u>119,196,040</u>	<u>12,309,052</u>	<u>(349,478)</u>	<u>131,155,614</u>
Accumulated depreciation:				
Buildings	6,513,579	897,356	(102,419)	7,308,516
Improvements	265,272	9,074	-	274,346
Vehicles	657,310	-	-	657,310
Equipment	1,633,018	40,378	-	1,673,396
Infrastructure	31,269,682	965,821	-	32,235,503
Total	<u>40,338,861</u>	<u>1,912,629</u>	<u>(102,419)</u>	<u>42,149,071</u>
Accumulated amortization:				
Leased assets - vehicles	193,481	170,401	(8,521)	355,361
Total	<u>193,481</u>	<u>170,401</u>	<u>(8,521)</u>	<u>355,361</u>
Total capital assets, net	<u>\$ 78,663,698</u>	<u>\$ 10,226,022</u>	<u>\$ (238,538)</u>	<u>\$ 88,651,182</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2023*

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**Note 6—Lease receivables**

*Lease Receivables and Deferred Inflows of Resources* – On January 14, 2008, the City entered into a lease agreement with Farmers National Bank to lease out 35 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2023 totaled \$227,213. The City reported interest revenue totaling \$9,088 and lease revenue totaling \$14,387 for fiscal year 2023.

On January 14, 2008, the City entered into a lease agreement with Central Kentucky Ambulatory Surgery Center to lease out 100 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2023, totaled \$649,180. The City reported interest revenue totaling \$25,962 and lease revenue totaling \$40,992 for fiscal year 2023.

On January 14, 2008, the City entered into a lease agreement with Ephraim McDowell Regional Medical Center to lease out 160 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2023, totaled \$1,038,688. The City reported interest revenue totaling \$41,539 and lease revenue totaling \$65,587 for fiscal year 2023.

On January 14, 2008, the City entered into a lease agreement with Malcom Bryant Corporation (formerly Lanreal, Inc.) to lease out 35 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. In fiscal year ended June 30, 2023, the City amended the lease agreement to reduce the leased spaces to 8. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2023 totaled \$51,934. The City reported interest revenue totaling \$2,102 and lease revenue totaling \$4,363 for fiscal year 2023.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 6—Lease receivables (continued)**

The present value of expected future minimum lease payments is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 103,090	\$ 75,075	\$ 178,165
2025	107,161	71,003	178,164
2026	111,394	66,770	178,164
2027	115,794	62,370	178,164
2028	120,367	57,797	178,164
2029-2033	677,018	213,802	890,820
2034-2038	732,191	69,546	801,737
	<u>\$ 1,967,015</u>	<u>\$ 616,363</u>	<u>\$ 2,583,378</u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During fiscal year 2023, the City recognized \$78,691 of interest revenue and \$125,329 of lease revenue from the lease agreements.

**Note 7—Lease liabilities**

*Governmental Activities* – On March 12, 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48 to 79 months. The interest rates for the vehicle leases range from 0.00% to 6.68%. The balance of the liability related to the vehicle leases as of June 30, 2023 totaled \$1,086,494.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 351,564	\$ 43,992	\$ 395,556
2025	284,012	30,648	314,660
2026	222,192	18,359	240,551
2027	140,665	9,510	150,175
2028	88,061	2,210	90,271
	<u>\$ 1,086,494</u>	<u>\$ 104,719</u>	<u>\$ 1,191,213</u>

*Business-Type Activities* – On March 12, 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease terms for these vehicles range from 60 to 72 months. The interest rates for the vehicle leases range from 2.48% to 6.22%. The balance of the liability related to the vehicle leases as of June 30, 2023 totaled \$551,614.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 7—Lease liabilities (continued)**

Annual requirements to maturity for all business-type long-term lease obligations are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 145,295	\$ 20,503	\$ 165,798
2025	125,633	15,119	140,752
2026	130,868	9,884	140,752
2027	111,913	4,502	116,415
2028	37,905	821	38,726
	<u>\$ 551,614</u>	<u>\$ 50,829</u>	<u>\$ 602,443</u>

**Note 8—Defined benefit pension plans**

The government maintains a single-employer, defined benefit pension plan, the Police and Firefighters' Retirement Fund ("PFRF"), which covers public safety employees who work in non-hazardous positions, which they have held since July 31, 1988. The City also participates in the Commonwealth of Kentucky's County CERS, which covers all hazardous position public safety employees and all other governmental employees not already covered by PFRF. No medical insurance benefits are provided to retirees covered by the PFRF. Certain medical insurance benefits are provided to retirees covered by the CERS.

*Police and Firefighters' Retirement Fund*

*Plan Description and Provisions* – All of the government's full-time police and fire employees who work in non-hazardous positions which they have held since July 31, 1988, participate in the PFRF, a single-employer, defined benefit pension plan. This plan was established by Ordinance No. 824, effective February 14, 1958, pursuant to KRS Chapter 95. Prior to August 1, 1988, all full-time police and fire employees, both those working in hazardous and non-hazardous positions, were eligible to participate in the PFRF.

In accordance with the provisions of House Bill 398 passed by the 1988 Kentucky General Assembly, the City closed the PFRF to new members August 1, 1988, by passage of Ordinance No. 1400. After August 1, 1988, all new employees who would have been eligible to participate in the City's pension system must be enrolled as members of Kentucky County Employees' Retirement System. Employees hired on or before August 1, 1988, who were participating in the City plan, were given an option of transferring from the existing City pension plan to CERS.

<u>Plan Members</u>	<u>Employees</u>
Retirees	6
Active	0

Members of the police or fire department having served 20 years or longer in the police or fire department may petition the board of trustees for retirement, and if his petition is granted, the board may order paid to him monthly (50%) of his monthly salary at the time of retirement. If this petition for retirement is denied, any policeman or firefighter has the right of appeal in accordance with the Rules of Civil Procedure.

The pension payable for periods of service between 20 and 25 years shall be 50% of salary plus 2% of salary for each year in excess of 20. The pension payable for 25 years of service shall be 60% of salary. The pension payable for periods of service between 25 and 30 years shall be 60% of salary plus 3% of salary for each year in excess of 25. The pension payable 30 years of service shall be 75% of salary.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 8—Defined benefit pension plans (continued)**

The pension or benefits paid for disability or death from the Police and Firefighters’ Retirement Fund is as follows:

- a) If any member of the police and fire department becomes temporarily totally disabled, physically or mentally, the board of trustees of the pension fund shall order paid to him monthly, during his disability, until he has recovered and returned to active duty, a sum of not more than one-half (1/2) his salary per month, the amount to be determined by the board. This provision shall not apply if a salary is paid during the same period.
- b) If any member of the police or fire department becomes permanently disabled, physically or mentally, so as to render necessary his retirement from service in the department, the board of trustees shall retire him from service and order paid to him monthly 50% of his monthly salary at the time of his retirement.
- c) If any member of the police or fire department is killed or dies as the result of an injury received in the performance of duty, or dies of any disease contracted by reason of his occupation, or dies while in the service from any cause as a result of his service in the department, or dies in service or while on the retired list from any cause after one year of service in the department and leaves a widow or a child under 18 years of age, the board of trustees shall order a pension paid to the widow, while unmarried, of one-half of salary per month and for each child until it reaches the age of 18 years \$24 per month. The board may provide a minimum benefit of no more than \$400 per month, initially, to the surviving spouse if the benefit can be supported on an actuarially sound basis by the fund. The board may increase the minimum benefit pursuant to the terms of subsection (4) of this section. If the deceased member was unmarried and childless, a pension shall be paid to his dependent father and mother of one-fourth of salary per month. If one parent is dead, the other shall receive the entire one-fourth salary.

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the PFRF, the employee is entitled to a refund of his or her accumulated contributions to the fund without interest.

*Measurement Focus and Basis of Accounting* – The PFRF is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required to be made and benefits and refunds are recognized as an expense and liability when due and payable. Administrative costs are financed through contributions and investment income. The PFRF does not issue a separate report containing financial statements.

*Investments* – The following was the Board's adopted target allocation and the long-term expected rate of return on Plan investments. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic fixed income	35%	5.0%
Domestic equity	60%	8.5%
Cash	5%	1.5%
Total	100%	6.9%
Less investment expense		-0.4%
Net		6.5%

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2023*

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**Note 8—Defined benefit pension plans (continued)**

Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government Agencies) in any one organization that represent more than 5% of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits.

*Net Pension Liability* – The components of the net pension liability at June 30, 2023, were as follows:

Total pension liability	\$ 1,666,772
Less Plan fiduciary net position	<u>913,329</u>
Net position liability	<u>\$ 753,443</u>
Plan fiduciary net position as a percentage of total pension liability	54.80%

*Actuarial Assumptions* – The total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Cost of living	3.00%
Salary adjustments	N/A
Investment rate of return	6.50%

Mortality rates for post-retirement were based on Pub-S 2010 Mortality Table, with adjustments for generationally with Scale MP 2019.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 8—Defined benefit pension plans (continued)**

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability calculated using the discount rate noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and higher than the current rate.

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease	5.50%	\$ 896,605
Current discount rate	6.50%	\$ 753,443
1% increase	7.50%	\$ 629,296

*Employer Contributions* – The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees.

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with KRS. For the year ended June 30, 2023, the City made a contribution of \$135,000.

*Pension Expense and Deferred Outflows/Inflows* – For the year ended June 30, 2023, the City recognized pension expense of \$86,796. 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>
Net difference between projected and actual earnings on Plan investments	\$ 32,279	\$ -

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

<u>Years Ending June 30,</u>	
2024	\$ 7,951
2025	1,693
2026	25,125
2027	<u>(2,490)</u>
	<u>\$ 32,279</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

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**Note 8—Defined benefit pension plans (continued)**

*County Employees' Retirement System*

The City of Danville is a participating employer of CERS. Under the provisions of KRS 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority 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. No COLA has been granted since July 1, 2011.

*Contributions* – Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Non-hazardous employees contribute 5% and hazardous employees contribute 8% of salary if they were plan members prior to September 1, 2008. 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 KRS 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. The insurance trust is more fully described in Note 9. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 42.81% 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 Public Pensions Authority are financed through employer contributions and investment earnings.

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 \$1,296,179, or 100% of the required contribution for non-hazardous job classifications, and \$1,799,059, 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.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 8—Defined benefit pension plans (continued)**

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	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	At least 10 years service and 60 years old
Tier 3	Participation date	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	Not available

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, 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 pension liability as follows:

<b>Total Net</b>		
<b><u>Pension Liability</u></b>	<b><u>Non-Hazardous</u></b>	<b><u>Hazardous</u></b>
<u>\$ 27,656,450</u>	<u>\$ 11,583,265</u>	<u>\$ 16,073,185</u>

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 June 30, 2021, and rolled forward using generally accepted actuarial procedures. 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. The City's proportionate share at June 30, 2022, was as follows:

<b><u>Non-Hazardous</u></b>	<b><u>Hazardous</u></b>
0.160233%	0.526738%

The proportionate share at June 30, 2022 increased .013% for non-hazardous and increased .077% for hazardous compared to the proportionate share as of June 30, 2021.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 8—Defined benefit pension plans (continued)**

For the year ended June 30, 2023, the City recognized pension expense of \$3,463,551. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Liability experience	\$ 473,231	\$ 103,154
Investment experience	668,198	-
Change of assumptions	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,834,809	311,395
City contributions subsequent to the measurement date	3,095,239	-
<b>Total</b>	<b>\$ 7,071,477</b>	<b>\$ 414,549</b>

The \$3,095,238 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 pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Years Ending June 30,**

2024	\$ 1,364,628
2025	942,632
2026	395,910
2027	858,519
	<b>\$ 3,561,689</b>

*Actuarial Assumptions* – For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

Non-hazardous and Hazardous:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary increases	3.30%-10.30%, varies by service for CERS Non-hazardous 3.55%-19.05%, varies by service for CERS Hazardous
Investment rate of return	6.25%, net of Plan investment expense, including inflation

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 8—Defined benefit pension plans (continued)**

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity:		
Public equity	50%	4.45%
Private equity	10%	10.15%
Fixed income:		
Core fixed income	10%	0.28%
Specialty credit	10%	2.28%
Cash	0%	-0.91%
Inflation protected:		
Real estate	7%	3.67%
Real return	13%	4.07%
Total	100%	

*Discount Rate* The projection of cash flows used to determine the discount rate of 6.25% or CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 8—Defined benefit pension plans (continued)**

*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%, 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%) or 1-percentage-point higher (7.25%) than the current rate:

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
City of Danville's net pension liability - NonHazardous	\$ 14,477,644	\$ 11,583,265	\$ 9,189,373
City of Danville's net pension liability - Hazardous	20,021,782	16,073,185	12,857,296
Totals	<u>\$ 34,499,426</u>	<u>\$ 27,656,450</u>	<u>\$ 22,046,669</u>

**Note 9—Postemployment benefits other than pensions (“OPEB”)**

*Plan Description* – As more fully described in Note 8, the City of Danville participates in 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 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ended June 30, 2022, 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 KRS 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 Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the City contributed \$187,780, or 100% of the required contribution for non-hazardous job classifications, and \$284,925, or 100% of the required contribution for hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 9—Postemployment benefits other than pensions (“OPEB”) (continued)**

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003 10 years of service credit required
	Insurance eligibility 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 10 years of service credit required
	Insurance eligibility benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008 and before December 31, 2013 15 years of service credit required
	Insurance eligibility benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013 15 years of service credit required
	Insurance eligibility 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 as follows:

<b>Total Net</b>		
<u>OPEB Liability</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
<u>\$ 7,646,701</u>	<u>\$ 3,162,279</u>	<u>\$ 4,484,422</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022 was as follows:

<u>Non-hazardous</u>	<u>Hazardous</u>
0.160236%	0.526473%

The proportionate share at June 30, 2022 increased .0131% for non-hazardous and increased .0767% for hazardous compared to the proportionate share as of June 30, 2021.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2023*

**Note 9—Postemployment benefits other than pensions (“OPEB”) (continued)**

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,253,062. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Liability experience	\$ 417,396	\$ 990,777
Investment experience	292,027	-
Change of assumptions	1,248,718	1,183,718
Changes in proportion and differences between City contributions and proportionate share of contributions	983,908	152,978
City contributions subsequent to the measurement date	635,639	-
Total	<u>\$ 3,577,688</u>	<u>\$ 2,327,473</u>

The \$635,639 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 ended June 30, 2023. Contributions also include an adjustment of \$162,935 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**Years Ending June 30.**

2024	\$ 257,338
2025	220,939
2026	(73,715)
2027	260,656
2028	(50,642)
	<u>\$ 614,576</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 9—Postemployment benefits other than pensions (“OPEB”) (continued)**

*Actuarial Assumptions* – The actuarial valuation as of June 30, 2022 was based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date (June 30, 2021) to the plan’s fiscal year ended June 30, 2022 using the generally accepted actuarial principles.

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date (June 30, 2021) to the plan’s fiscal year ended June 30, 2022, using the generally accepted actuarial principles.

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30%-10.30%, varies by service for nonhazardous 3.55%-19.05%, varies by service for hazardous
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Healthcare trend

Pre – 65:	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 9.00% at January 1, 2024, and then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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 2019. 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

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

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

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 9—Postemployment benefits other than pensions (“OPEB”) (continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Fixed income		
Core fixed income	10.00%	0.28%
Specialty credit	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation protected		
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Total	100.00%	

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.70% and 5.61% for non-hazardous and hazardous classifications, respectively. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans’ actuarially determined contributions and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 9—Postemployment benefits other than pensions (“OPEB”) (continued)**

*Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(4.70%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.70%)</u>	<u>1% Increase</u> <u>(6.70%)</u>
Net OPEB Liability - Nonhazardous	\$ 4,227,463	\$ 3,162,279	\$ 2,281,727
	<u>1% Decrease</u> <u>(4.61%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.61%)</u>	<u>1% Increase</u> <u>(6.61%)</u>
Net OPEB Liability - Hazardous	6,230,971	4,484,422	3,065,898
Totals	<u>\$ 10,458,434</u>	<u>\$ 7,646,701</u>	<u>\$ 5,347,625</u>

*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:

	<u>1% Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability - Nonhazardous	\$ 2,351,084	\$ 3,162,279	\$ 4,136,371
Net OPEB Liability - Hazardous	3,131,416	4,484,422	6,133,664
	<u>\$ 5,482,500</u>	<u>\$ 7,646,701</u>	<u>\$ 10,270,035</u>

*OPEB Plan Fiduciary Net Position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 10—Long-term debt**

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

Description	Balance		Retired	Balance		Due Within One Year
	July 1, 2022	Issued		June 30, 2023		
Governmental Activities:						
General Fund:						
KLC note payable with interest at 3.00%, maturing in fiscal year 2038	\$ 3,318,229	\$ -	\$ 149,435	\$ 3,168,794	\$ 155,636	
Series 2012 GO with interest at 1.00% to 3.25% maturing in fiscal year 2038	3,115,000	-	160,000	2,955,000	165,000	
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	982,762	-	48,731	934,031	52,793	
Series 2018 GO with interest at 3.60% to 4.00% maturing in fiscal year 2039	9,330,000	-	365,000	8,965,000	375,000	
Series 2020B GO with interest at 1.64% maturing in fiscal year 2027	205,500	-	39,800	165,700	40,400	
Premiums/(Discounts)	435,488	-	18,213	417,275	-	
<b>Total bonds and notes payable</b>	<b>17,386,979</b>	<b>-</b>	<b>781,179</b>	<b>16,605,800</b>	<b>788,829</b>	
Compensated absences	332,930	15,566	-	348,496	17,731	
Lease liability	826,104	562,548	302,158	1,086,494	351,564	
Net pension liability - CERS	16,430,074	5,006,997	-	21,437,071	-	
Net OPEB liability - CERS	4,973,478	949,317	-	5,922,795	-	
Net pension liability – police and firefighters' retirement	992,403	-	238,960	753,443	-	
<b>Total governmental activities</b>	<b>\$ 40,941,968</b>	<b>\$ 6,534,428</b>	<b>\$ 1,322,297</b>	<b>\$ 46,154,099</b>	<b>\$ 1,158,124</b>	

Additions to compensated absences are presented net of amounts used in this table.

The annual debt service requirements to maturity for all governmental activity bonds and notes payable are as follows:

<u>Years Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 788,829	\$ 584,171	\$ 1,373,000
2025	816,661	554,967	1,371,628
2026	843,223	525,390	1,368,613
2027	876,133	494,428	1,370,561
2028	865,229	462,380	1,327,609
2029-2033	4,959,923	1,792,501	6,752,424
2034-2038	6,058,527	767,775	6,826,302
2039-2040	980,000	18,375	998,375
Premiums	417,275	-	417,275
	<b>\$ 16,605,800</b>	<b>\$ 5,199,987</b>	<b>\$ 21,805,787</b>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 10—Long-term debt (continued)**

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

Description	Balance			Balance June 30, 2023	Due Within One Year
	July 1, 2022	Issued	Retired		
Business-Type Activities:					
Utility Fund:					
Series 2010 with interest at 3.00% maturing in fiscal year 2050	\$ 506,000	\$ -	\$ 11,000	495,000	\$ 11,500
KIA note payable with interest at 1.75% maturing in fiscal year 2038	9,706,918	-	550,268	9,156,650	559,941
Series 2014A GO with interest at 3.00% to 3.75% maturing in fiscal year 2035	2,150,000	-	150,000	2,000,000	155,000
Series 2015A with interest at 2.875% maturing in fiscal year 2055	7,955,000	-	141,000	7,814,000	145,500
Series 2015B with interest at 2.25% maturing in fiscal year 2055	4,597,500	-	87,500	4,510,000	89,500
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	6,820,000	-	295,000	6,525,000	310,000
Series 2020 with interest at 2.00% to 5.00% maturing in fiscal year 2045	11,785,000	-	180,000	11,605,000	190,000
KIA loan #F19-042 with interest at 2.00%. Principal payments commence after project completion.	2,852,425	442,517	-	3,294,942	-
Premiums/(Discounts)	1,109,804	-	51,072	1,058,732	-
<b>Total Utility Fund</b>	<b>\$ 47,482,647</b>	<b>\$ 442,517</b>	<b>\$ 1,465,840</b>	<b>\$ 46,459,324</b>	<b>\$ 1,461,441</b>
Storm Water Fund:					
Series 2020B GO with interest at 1.64% maturing in fiscal year 2030	\$ 361,900	\$ -	\$ 42,700	\$ 319,200	\$ 43,400
<b>Total Storm Water Fund</b>	<b>361,900</b>	<b>-</b>	<b>42,700</b>	<b>319,200</b>	<b>43,400</b>
Parking Fund:					
Series 2014C GO with interest at 2.50% to 3.86% maturing in fiscal year 2036	900,000	-	45,000	855,000	50,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	194,206	-	9,630	184,576	10,433
Series 2017B GO with interest at 2.00% to 3.00% maturing in fiscal year 2036	2,195,000	-	125,000	2,070,000	120,000
Premiums/(Discounts)	55,050	-	3,050	52,000	-
<b>Total Parking Fund</b>	<b>\$ 3,344,256</b>	<b>\$ -</b>	<b>\$ 182,680</b>	<b>\$ 3,161,576</b>	<b>\$ 180,433</b>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 10—Long-term debt (continued)**

Description	Balance			Balance June 30, 2023	Due Within One Year
	July 1, 2022	Issued	Retired		
Business-Type Activities:					
Museum Fund:					
Series 2017A GO with interest at					
1.00% to 2.95% maturing in fiscal year 2036	\$ 33,033	\$ -	\$ 1,638	\$ 31,395	\$ 1,775
Premiums/(Discounts)	2,913	-	81	2,832	-
Total Museum Fund	35,946	-	1,719	34,227	1,775
Total bonds and notes payable	51,224,749	442,517	1,692,939	49,974,327	1,687,049
Compensated absences	158,090	21,339	-	179,429	8,971
Lease liability	430,002	271,839	150,227	551,614	103,090
Net pension liability - CERS	4,925,096	1,294,283	-	6,219,379	-
Net OPEB liability - CERS	1,478,513	245,393	-	1,723,906	-
Total business-type activities	\$ 58,216,450	\$ 2,275,371	\$ 1,843,166	\$ 58,648,655	\$ 1,799,110

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2023 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the various funds. At June 30, 2023, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

The annual debt service requirements to maturity for all business-type activity bonds and notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,687,049	\$ 1,174,116	\$ 2,861,165
2025	1,740,089	1,121,947	2,862,036
2026	1,794,743	1,067,625	2,862,368
2027	1,853,734	1,017,009	2,870,743
2028	1,918,242	949,252	2,867,494
2029-2033	10,191,707	4,015,044	14,206,751
2034-2038	10,751,757	2,684,304	13,436,061
2039-2043	7,192,500	1,680,409	8,872,909
2044-2048	4,620,000	784,900	5,404,900
2049-2053	2,659,000	367,151	3,026,151
2054-2056	1,157,000	46,266	1,203,266
KIA deferred loan	3,294,942	-	3,294,942
Premiums	1,113,564	-	1,113,564
	<u>\$ 49,974,327</u>	<u>\$ 14,908,023</u>	<u>\$ 64,882,350</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 11—Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**Note 12—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; natural disasters; and workers' compensation claims. Significant losses are covered by commercial insurance for all major programs except unemployment compensation and workers' compensation, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from prior years. Also, there have been no settlements exceeding insurance coverage for each of the past three years. The City participates in two pooled self- insurance programs sponsored by the Kentucky League of Cities. These include unemployment compensation and workers' compensation.

The City has established a Health Self-Insurance Plan. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$70,000 of a participant's medical claim is payable by the Health Self-Insurance Plan. The City purchases insurance for claims in excess of coverage provided by the fund. All funds with employees of the City participate in the program and make payments to the health fund based on estimates of the amount needed to pay current year claims. Claims totaling \$7,545 have been included in accounts payable at June 30, 2023, based on claims incurred and settled after year-end.

**Note 13—Transfer of funds**

Transfers between funds consisted of the following for the fiscal year ended June 30, 2023:

Type	From Fund	To Fund	Purpose	Amount
Operating	Municipal Road Aid	General	Street repairs	\$ 25,000
Operating	General	Streetscape	Capital improvements	6,279,648
Operating	General	Parks & Recreations	Operating expense and capital improvements	5,280,864
Operating	General	Cemetery	Operating expense	180,000
Operating	General	Garbage	Operating expense	95,250
Operating	General	Museum	Operating expense	585,891
Operating	General	Parking	Operating expense	285,000
				\$ 12,731,653

The following schedule briefly summarizes the City's interfund receivables and payables as of June 30, 2023.

Due to	Due from				Total
	Parking	Utility	Muni Road	Garabage	
General	\$ 90,072	\$ 13,643,517	\$ 21,777	\$ 60,330	\$ 13,815,696

The interfund loan between the utility fund and general fund is expected to be repaid to the general fund over the next five years.

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2023*

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**Note 14—Subsequent event**

On October 25, 2023, the City issued General Obligation Public Project Bond Anticipation Note, Series 2023 totaling \$6,500,000. The Bond Anticipation Note matures on October 1, 2026 and bears interest at 4.75%. The proceeds are to be used for multiple utility projects including: Perryville Road Phase 3, Wastewater Treatment Plant Phase 1, McKinney Waterline Project, US 150 Pump Station Project, and the Gose Pike Sewer.

**Note 15—Subscription-based information technology arrangements (“SBITAs”)**

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments’ subscription activities. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-of-use subscription asset. The City has no SBITA agreements as of June 30, 2024.

**Note 16—Tax Abatements**

In June 2018, the City passed Ordinance 1914 under KRS 154.32-090. The purpose of the ordinance was to attract an employer to the City through the use of a tax abatement. The employer as part of the arrangement, can receive a partial credit against new employees’ occupational license tax of 0.72%. The employer must employ at least 10 new employees and can receive the credit for up to 27 employees. The City recaptures a prorated amount of abated taxes if these conditions are not met. Credits are available for a term of 15 years or recoveries of \$181,980, with an accelerated recovery limit of \$100,199, whichever occurs first. The amount of the abatement is issued annually through repayment back to the employer. For the year ended June 30, 2023, the City abated occupational license fees totaling \$22,736 through this agreement.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DANVILLE, KENTUCKY**  
**BUDGETARY COMPARISON – GENERAL FUND**

YEAR ENDED JUNE 30, 2023

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Taxes	\$ 2,190,000	\$ 2,190,000	\$ 2,374,042	\$ 184,042
Licenses and fees	14,861,500	14,861,500	19,644,890	4,783,390
Intergovernmental revenue	2,819,242	2,171,242	1,223,995	(947,247)
Penalties and forfeitures	9,000	9,000	10,386	1,386
Other revenue	1,644,210	528,000	1,651,218	1,123,218
Total Revenues	<u>21,523,952</u>	<u>19,759,742</u>	<u>24,904,531</u>	<u>5,144,789</u>
<b>Expenditures:</b>				
<b>Current Operating:</b>				
General government	5,178,982	5,178,982	6,990,815	1,811,833
Public services	10,911,099	10,911,099	2,217,902	(8,693,197)
Public safety	144,800	144,800	7,750,290	7,605,490
Community services	1,965,891	1,965,891	-	(1,965,891)
Debt service	5,397,528	5,397,528	1,771,970	(3,625,558)
Capital outlay	1,013,180	1,013,180	3,094,814	2,081,634
Total Expenditures	<u>24,611,480</u>	<u>24,611,480</u>	<u>21,825,791</u>	<u>(2,785,689)</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,087,528)	(4,851,738)	3,078,740	7,930,478
<b>Other Financing Sources (Uses):</b>				
Proceeds from issuance of debt	8,000,000	8,000,000	-	(8,000,000)
Lease proceeds	-	-	562,548	562,548
Transfers from other funds	-	-	25,000	25,000
Transfers to other funds	(16,828,250)	(16,828,250)	(12,706,653)	4,121,597
Total Other Financing Sources (Uses)	<u>(8,828,250)</u>	<u>(8,828,250)</u>	<u>(12,119,105)</u>	<u>(3,290,855)</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	(11,915,778)	(13,679,988)	(9,040,365)	4,639,623
Fund balance, beginning of year	<u>29,898,092</u>	<u>29,898,092</u>	<u>29,898,092</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,982,314</u>	<u>\$ 16,218,104</u>	<u>\$ 20,857,727</u>	<u>\$ 4,639,623</u>

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE BUDGETARY COMPARISON – GENERAL FUND**

*YEAR ENDED JUNE 30, 2023*

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*Budgetary Information* – The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

KRS 91A.030 requires the preparation and adoption of an annual budget in the form of an appropriations ordinance before the City may expend any monies from any governmental or proprietary fund and prohibits expenditures or expenses in excess of appropriations. KRS further provides that the full amount of debt service be appropriated. All appropriations lapse at year-end.

To meet the legal requirements for appropriations, all budgets are presented on a modified accrual basis. For proprietary funds this means that certain capitalized receipts and disbursements are budgeted along with related revenue and expense, that depreciation, a noncash expenditure, is not budgeted, and that the full amount of debt service is budgeted.

Under KRS, all local government units are required to have a June 30 fiscal year-end. The City of Danville has a June 30 fiscal year-end.

Prior to May 1, the City Manager obtains estimates of proposed expenditures from various division and department heads. The finance department staff prepares revenue estimates.

Prior to June 1, the City Manager submits to the City commission a proposed budget for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments and comply with various federal and state mandates.

Prior to June 30, the budget is legally enacted through passage of an ordinance by the City commission.

The City Manager is authorized to transfer budgeted amounts within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the City commission.

Formal budgetary integration is utilized as a management control device for all governmental fund types and proprietary funds.

An encumbrance system under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded is maintained. Encumbrances maintained at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are re-appropriated in the next budget year.

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE AND FIREFIGHTERS' RETIREMENT FUND**

*LAST TEN FISCAL YEARS*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability:</b>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	158,934	164,512	160,063	154,676	116,353	106,898	102,775	118,098	119,164	115,646
Difference between expected and actual experience	87,635	(8,253)	(8,253)	(540,591)	(88,390)	(7,251)	78,610	72,380	(16,004)	(151,628)
Changes in assumptions	93,992	-	-	-	-	-	212,836	-	-	-
Benefit payments	(241,766)	(245,159)	(245,159)	(224,188)	(183,120)	(163,754)	(162,390)	(162,390)	(169,834)	(152,838)
Net change in total pension liability	98,795	(88,900)	(93,349)	(610,103)	(155,157)	(64,107)	231,831	28,088	(66,674)	(188,820)
Total pension liability - beginning	2,554,636	2,653,431	2,585,063	2,491,714	1,881,611	1,726,454	1,662,347	1,894,178	1,922,266	1,855,592
Total pension liability - ending	2,653,431	2,564,531	2,491,714	1,881,611	1,726,454	1,662,347	1,894,178	1,922,266	1,855,592	1,666,772
<b>Plan Fiduciary Net Position:</b>										
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Contributions - employer	126,000	190,000	165,000	165,000	165,000	135,000	135,000	135,000	135,000	135,000
Net investment income	123,406	26,925	46,190	84,891	47,760	67,125	22,174	170,536	(76,154)	67,978
Benefit payments	(241,768)	(244,955)	(245,159)	(224,188)	(183,120)	(163,754)	(162,390)	(162,390)	(169,834)	(152,838)
Net change in plan net position	7,638	(28,030)	(33,969)	25,703	29,640	38,371	(5,216)	143,146	(110,988)	50,140
Plan fiduciary net position - beginning	796,894	804,532	776,502	742,533	768,236	797,876	836,247	831,031	974,177	863,189
Plan fiduciary net position - ending	804,532	776,502	742,533	768,236	797,876	836,247	831,031	974,177	863,189	913,329
Net Pension Liability - Ending	\$ 1,848,899	\$ 1,788,029	\$ 1,749,181	\$ 1,113,375	\$ 928,578	\$ 826,100	\$ 1,063,147	\$ 948,089	\$ 992,403	\$ 753,443
Plan fiduciary net position as a										
percentage of total pension liability	30.32%	30.04%	29.80%	40.83%	46.21%	50.31%	43.87%	50.68%	46.52%	54.80%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF CONTRIBUTIONS**  
**POLICE AND FIREFIGHTERS' RETIREMENT FUND**

*LAST TEN FISCAL YEARS*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 154,658	\$ 166,979	\$ 164,914	\$ 167,726	\$ 110,506	\$ 95,743	\$ 88,851	\$ 119,854	\$ 112,659	\$ 125,129
Contributions in relation to actuarially determined contribution	(126,000)	(190,000)	(165,000)	(165,000)	(165,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)
Contribution Deficiency (Excess)	\$ 28,658	\$ (23,021)	\$ (86)	\$ 2,726	\$ (54,494)	\$ (39,257)	\$ (46,149)	\$ (15,146)	\$ (22,341)	\$ (9,871)
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes**

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of December 31 after the valuation date.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar over 20 years from July 1, 2013
Remaining amortization period	10 years at July 1, 2023
Asset valuation method	Market value
Cost of living increase	3.00% per year
Salary increases	N/A
Inflation	3.00% per year
Investment rate of return	6.50% (7.00% prior to July 1, 2013)
Retirement age	Upon attainment of 25 years of service
Mortality	PubS projected generationally with MP 2019 RP 2000 Combined Healthy Mortality Table projected to the year 2020 with Scale AA before July 1, 2020 RP 2000 Combined Healthy Mortality Table for July 1, 2013 and UP 84 before 7/1/2013

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF INVESTMENT RETURNS**  
**POLICE AND FIREFIGHTERS' RETIREMENT FUND**

*LAST TEN FISCAL YEARS*

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<u>Years Ending June 30,</u>		<u>Annual Money-Weighted Rate of Return</u>
2014	16.7%	16.7%
2015	7.8%	7.8%
2016	1.6%	1.6%
2017	11.9%	11.9%
2018	6.3%	6.3%
2019	8.6%	8.6%
2020	2.7%	2.7%
2021	20.8%	20.8%
2022	-7.9%	-7.9%
2023	8.0%	8.0%

**Notes**

The amounts shown are net of investment expenses.

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – NON-HAZARDOUS**

*LAST TEN FISCAL YEARS*

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%	0.13%	0.15%	0.16%
City's proportionate share of the net pension liability (asset)	\$ 3,929,199	\$ 3,456,145	\$ 4,621,569	\$ 5,537,010	\$ 6,569,873	\$ 7,296,124	\$ 8,777,521	\$ 9,822,019	\$ 9,382,668	\$ 11,583,265
City's covered employee payroll	\$ 2,534,067	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079	\$ 5,539,227
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	155.06%	130.44%	170.20%	188.73%	221.95%	227.39%	257.12%	292.59%	238.62%	209.11%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – NON-HAZARDOUS**

*LAST TEN FISCAL YEARS*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 364,054	\$ 346,203	\$ 364,661	\$ 373,773	\$ 464,618	\$ 553,719	\$ 647,885	\$ 758,891	\$ 983,748	\$ 1,009,335
Contributions relative to contractually required employer contribution	364,054	346,203	364,661	373,773	464,618	553,719	647,885	758,891	983,748	1,009,335
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079	\$ 4,646,898	\$ 5,539,227
Employer contributions as a percentage of covered-employee payroll	13.74%	12.75%	12.43%	12.63%	14.48%	16.22%	19.30%	19.30%	21.17%	18.22%

**Notes to Schedules Related to the County Employees' Retirement System of KPPA**

*Valuation date:* Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2022 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Valuation Date	June 30, 2020
Experience Date	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service (Non-Hazardous)
	3.55% to 19.05% varies by service (Hazardous)
Investment Rate of Return	6.25%

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – HAZARDOUS**

*LAST TEN FISCAL YEARS*

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net pension liability	0.47%	0.47%	0.44%	0.47%	0.47%	0.48%	0.48%	0.46%	0.45%	0.53%
City's proportionate share of the net pension liability (asset)	\$ 6,280,303	\$ 5,643,708	\$ 6,785,945	\$ 8,104,335	\$ 10,483,798	\$ 11,686,298	\$ 13,393,127	\$ 13,856,709	\$ 11,972,502	\$ 16,073,185
City's covered employee payroll	\$ 2,413,303	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501	\$ 4,202,428
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	260.24%	236.92%	300.15%	327.07%	407.56%	434.36%	486.49%	521.61%	440.25%	382.47%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%

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

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – HAZARDOUS**

*LAST TEN FISCAL YEARS*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contributio	\$ 518,595	\$ 468,680	\$ 495,590	\$ 576,504	\$ 597,289	\$ 684,676	\$ 798,546	\$ 817,482	\$ 1,200,954	\$ 1,221,214
Contributions relative to contractually required employer contribution	518,595	468,680	495,590	576,504	597,289	684,676	798,546	817,482	1,200,954	1,221,214
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501	\$ 3,546,882	\$ 4,202,428
Employer contributions as a percentage of covered-employee payroll	21.77%	20.73%	20.00%	22.41%	22.20%	24.87%	30.06%	30.06%	33.86%	29.06%

**Notes to Schedules Related to the County Employees' Retirement System of KPPA**

*Valuation date:* Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2022 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Valuation Date	June 30, 2020
Experience Date	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service (Non-Hazardous) 3.55% to 19.05% varies by service (Hazardous)
Investment Rate of Return	6.25%

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – NONHAZARDOUS**

*LAST SEVEN FISCAL YEARS*

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net OPEB liability	0.11%	0.11%	0.12%	0.12%	0.13%	0.15%	0.16%
City's proportionate share of the net OPEB liability (asset)	\$ 1,769,891	\$ 2,256,447	\$ 2,126,919	\$ 2,098,609	\$ 3,097,235	\$ 2,816,673	\$ 3,162,279
City's covered employee payroll	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079	\$ 5,539,227
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	60.33%	76.23%	66.29%	61.47%	92.26%	71.63%	57.09%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – NONHAZARDOUS**

*LAST TEN FISCAL YEARS*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 136,454	\$ 133,594	\$ 136,132	\$ 140,010	\$ 150,808	\$ 179,566	\$ 159,789	\$ 187,167	\$ 268,591	\$ 184,800
Contributions relative to contractually required employer contribution	136,454	133,594	136,132	140,010	150,808	179,566	159,789	187,167	268,591	184,800
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079	\$ 4,646,989	\$ 5,539,227
Employer contributions as a percentage of covered-employee payroll	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	5.78%	3.34%

**Notes to Schedules Related to the County Employees' Insurance Fund of KPPA**

Actuarial Valuation Date	June 30, 2020
Experience Date	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Investment Rate of Return	6.25%
Retirement age	65 years or 27 years of service regardless of age
Healthcare Trend Rates Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Non-hazardous and Hazardous

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – HAZARDOUS**

*LAST SEVEN FISCAL YEARS*

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net OPEB liability	0.47%	0.47%	0.48%	0.48%	0.46%	0.45%	0.53%
City's proportionate share of the net OPEB liability (asset)	\$ 2,314,707	\$ 3,873,748	\$ 3,445,312	\$ 3,586,537	\$ 4,248,640	\$ 3,635,318	\$ 4,484,422
City's covered employee payroll	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501	\$ 4,202,428
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	93.42%	150.59%	128.06%	130.28%	159.93%	133.68%	106.71%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM – HAZARDOUS**

*LAST TEN FISCAL YEARS*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 331,834	\$ 307,028	\$ 310,630	\$ 240,513	\$ 251,561	\$ 288,323	\$ 252,900	\$ 258,897	\$ 371,352	\$ 299,472
Contributions relative to contractually required employer contribution	331,834	307,028	310,630	240,513	251,561	288,323	252,900	258,897	371,352	299,472
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501	\$ 3,546,882	\$ 4,202,428
Employer contributions as a percentage of covered-employee payroll	13.93%	13.58%	12.54%	9.35%	9.35%	10.47%	9.52%	9.52%	10.47%	7.13%

**Notes to Schedules Related to the County Employees' Insurance Fund of KPPA**

Actuarial Valuation Date	June 30, 2020
Experience Date	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Investment Rate of Return	6.25%
Retirement age	65 years or 27 years of service regardless of age
Healthcare Trend Rates Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Non-hazardous and Hazardous

**SUPPLEMENTARY INFORMATION**

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET –**  
**NONMAJOR GOVERNMENTAL FUNDS**

*JUNE 30, 2023*

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Municipal Road Aid	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Opioid Settlement Fund	Parks and Recreation Fund	Total
<b>ASSETS</b>											
Cash and cash equivalents	\$ 12,697	\$ 10,989	\$ 28,115	\$ 903,628	\$ 11,160	\$ 29,102	\$ 5,394	\$ 26,494	\$ 85,681	\$ 926,633	\$ 2,039,893
Investments	-	-	-	-	-	6,567	-	-	-	-	6,567
Receivables, net	1,055	-	-	35,790	-	-	-	-	30,145	-	66,990
<b>Total Assets</b>	<b>\$ 13,752</b>	<b>\$ 10,989</b>	<b>\$ 28,115</b>	<b>\$ 939,418</b>	<b>\$ 11,160</b>	<b>\$ 35,669</b>	<b>\$ 5,394</b>	<b>\$ 26,494</b>	<b>\$ 115,826</b>	<b>\$ 926,633</b>	<b>\$ 2,113,450</b>
<b>LIABILITIES AND FUND BALANCE</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ 15,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 839,257	\$ 854,865
Accrued payroll and benefits	154	-	-	-	-	-	-	-	-	52,757	52,911
Internal balances	-	-	-	21,177	-	-	-	-	-	-	21,177
Unearned Revenue	-	-	-	-	-	-	-	-	115,826	-	115,826
<b>Total Liabilities</b>	<b>154</b>	<b>-</b>	<b>-</b>	<b>36,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,826</b>	<b>892,014</b>	<b>1,044,779</b>
Fund balance, restricted	-	-	-	902,633	-	-	5,394	26,494	-	-	934,521
Fund balance, assigned	13,598	10,989	28,115	-	11,160	35,669	-	-	-	34,619	134,150
<b>Total Fund Balance</b>	<b>13,598</b>	<b>10,989</b>	<b>28,115</b>	<b>902,633</b>	<b>11,160</b>	<b>35,669</b>	<b>5,394</b>	<b>26,494</b>	<b>-</b>	<b>34,619</b>	<b>1,068,671</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 13,752</b>	<b>\$ 10,989</b>	<b>\$ 28,115</b>	<b>\$ 939,418</b>	<b>\$ 11,160</b>	<b>\$ 35,669</b>	<b>\$ 5,394</b>	<b>\$ 26,494</b>	<b>\$ 115,826</b>	<b>\$ 926,633</b>	<b>\$ 2,113,450</b>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2023

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Municipal Road Aid	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Opioid Settlement Fund	Parks and Recreation Fund	Total
Revenues:											
Intergovernmental	\$ 6,201	\$ -	\$ -	\$ 336,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,015	\$ 688,982
Penalties and forfeitures	-	5,965	-	-	-	-	-	-	-	-	5,965
Other revenues	106	82	203	6,873	5,697	387	39	191	-	373,770	387,348
Total Revenues	6,307	6,047	203	343,639	5,697	387	39	191	-	719,785	1,082,295
Expenditures:											
Public safety	4,714	6,349	-	-	-	-	-	-	-	-	11,063
Public services	-	-	-	252,350	-	-	-	-	-	1,444,336	1,696,686
Community services	-	-	-	-	19,000	-	-	-	-	620	19,620
Debt service	-	-	-	-	-	-	-	-	-	18,069	18,069
Capital outlay	-	-	-	111,008	-	-	-	-	-	4,516,120	4,627,128
Total Expenditures	4,714	6,349	-	363,358	19,000	-	-	-	-	5,979,145	6,372,566
Excess (Deficiency) of Revenues											
Over Expenditures	1,593	(302)	203	(19,719)	(13,303)	387	39	191	-	(5,259,360)	(5,290,271)
Other Financing Sources:											
Transfers to other funds	-	-	-	(25,000)	-	-	-	-	-	-	(25,000)
Transfers from other funds	-	-	-	-	-	-	-	-	-	5,280,864	5,280,864
Total Other Financing Sources	-	-	-	(25,000)	-	-	-	-	-	5,280,864	5,255,864
Net change in fund balance	1,593	(302)	203	(44,719)	(13,303)	387	39	191	-	21,504	(34,407)
Fund balance, beginning of year	12,005	11,291	27,912	947,352	24,463	35,282	5,355	26,303	-	13,115	1,103,078
Fund balance, end of year	\$ 13,598	\$ 10,989	\$ 28,115	\$ 902,633	\$ 11,160	\$ 35,669	\$ 5,394	\$ 26,494	-	\$ 34,619	\$ 1,068,671

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION –**  
**NONMAJOR PROPRIETARY FUNDS**

*JUNE 30, 2023*

	<b>Garbage Fund</b>	<b>Cemetery Fund</b>	<b>Museum Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 578,827	\$ 26,504	\$ 605,331
Accounts receivable, net	102,131	4,265	-	106,396
Investments	-	109,341	-	109,341
Total Current Assets	<u>102,131</u>	<u>692,433</u>	<u>26,504</u>	<u>821,068</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable capital assets	-	10,939	76,000	86,939
Depreciable capital assets	-	279,577	1,066,373	1,345,950
Leased assets	-	21,894	-	21,894
Less accumulated depreciation and amortization	-	(167,139)	(289,832)	(456,971)
Total Noncurrent Assets	<u>-</u>	<u>145,271</u>	<u>852,541</u>	<u>997,812</u>
Total Assets	<u>102,131</u>	<u>837,704</u>	<u>879,045</u>	<u>1,818,880</u>
Deferred Outflows of Resources:				
Deferred outflows - pension	-	51,033	-	51,033
Deferred outflows - OPEB	-	28,015	-	28,015
Total Deferred Outflows of Resources	<u>-</u>	<u>79,048</u>	<u>-</u>	<u>79,048</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 102,131</u>	<u>\$ 916,752</u>	<u>\$ 879,045</u>	<u>\$ 1,897,928</u>

**CITY OF DANVILLE, KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION –**  
**NONMAJOR PROPRIETARY FUNDS (CONTINUED)**

JUNE 30, 2023

	<b>Garbage Fund</b>	<b>Cemetery Fund</b>	<b>Museum Fund</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 112,466	\$ 15,490	\$ 1,989	\$ 129,945
Accrued payroll and benefits	-	3,893	-	3,893
Due to other funds	60,330	-	-	60,330
Accrued interest payable	-	-	807	807
Current portion of compensated absences	-	253	-	253
Current portion of bonds and notes payable	-	-	1,775	1,775
Total Current Liabilities	<u>172,796</u>	<u>19,636</u>	<u>4,571</u>	<u>197,003</u>
Noncurrent Liabilities:				
Compensated absences, net of current portion	-	4,801	-	4,801
Bonds and notes payable, net of current portion	-	-	32,452	32,452
Net pension liability	-	170,620	-	170,620
Net OPEB liability	-	46,829	-	46,829
Total Noncurrent Liabilities	<u>-</u>	<u>222,250</u>	<u>32,452</u>	<u>254,702</u>
Total Liabilities	<u>172,796</u>	<u>241,886</u>	<u>37,023</u>	<u>451,705</u>
Deferred Inflows of Resources:				
Deferred inflows - pension	-	1,653	-	1,653
Deferred inflows - OPEB	-	16,095	-	16,095
Total Deferred Inflows of Resources	<u>-</u>	<u>17,748</u>	<u>-</u>	<u>17,748</u>
Net Position:				
Net investment in capital assets	-	145,271	818,314	963,585
Net position, unrestricted	(70,665)	511,847	23,708	464,890
Total Net Position	<u>(70,665)</u>	<u>657,118</u>	<u>842,022</u>	<u>1,428,475</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 102,131</u>	<u>\$ 916,752</u>	<u>\$ 879,045</u>	<u>\$ 1,897,928</u>

**CITY OF DANVILLE, KENTUCKY**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – NONMAJOR PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2023

	<b>Garbage Fund</b>	<b>Cemetery Fund</b>	<b>Museum Fund</b>	<b>Total</b>
Operating Revenues:				
Fees for services	\$ 1,218,101	\$ 152,759	\$ -	\$ 1,370,860
Other revenue	-	-	8,570	8,570
Total Operating Revenues	<u>1,218,101</u>	<u>152,759</u>	<u>8,570</u>	<u>1,379,430</u>
Operating Expenses:				
Personnel	-	170,524	-	170,524
Contractual	1,369,222	165,732	61,780	1,596,734
Depreciation	-	3,346	19,526	22,872
Other expenses	-	13,398	-	13,398
Total Operating Expenses	<u>1,369,222</u>	<u>353,000</u>	<u>81,306</u>	<u>1,803,528</u>
Operating Loss	<u>(151,121)</u>	<u>(200,241)</u>	<u>(72,736)</u>	<u>(424,098)</u>
Nonoperating Revenues (Expenses):				
Investment earnings	<u>56</u>	<u>4,312</u>	<u>2,282</u>	<u>6,650</u>
Total Nonoperating Revenues (Expenses)	<u>56</u>	<u>4,312</u>	<u>2,282</u>	<u>6,650</u>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(151,065)	(195,929)	(70,454)	(417,448)
Transfers from other funds	<u>95,250</u>	<u>180,000</u>	<u>585,891</u>	<u>861,141</u>
Change in net position	(55,815)	(15,929)	515,437	443,693
Net position, beginning of year	<u>(14,850)</u>	<u>673,047</u>	<u>326,585</u>	<u>984,782</u>
Net position, end of year	<u>\$ (70,665)</u>	<u>\$ 657,118</u>	<u>\$ 842,022</u>	<u>\$ 1,428,475</u>

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED JUNE 30, 2023*

<b>Grantor/Program Title</b>	<b>Federal ALN Number</b>	<b>Pass/Through Contract Number</b>	<b>Grant Contract Period</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
U.S. Environmental Protection Agency					
Passed through the Kentucky Energy and Environment Cabinet					
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Fund	66.468	F19-042	7/1/2022-6/30/2023	\$ -	\$ 258,693
Total Drinking Water State Revolving Fund Cluster				-	258,693
Total U.S. Department of Energy				-	258,693
U.S. Department of Transportation					
Passed through the Kentucky Department of Transportation					
Highway Safety Cluster					
State and Community Highway Safety	20.600	PT-2022-00-00-24	7/1/2022-6/30/2023	-	4,758
Total U.S. Department of Transportation				-	4,758
U.S. Department of Treasury					
Direct program					
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027		7/1/2022-6/30/2023	-	699,419
Total U.S. Department of Treasury				-	699,419
U.S. Department of Environmental Protection Agency					
Direct program					
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818		7/1/2022-6/30/2023	-	120,506
Total U.S. Department of Environmental Protection Agency				-	120,506
Total Federal Awards Expended				\$ -	\$ 1,083,376

**CITY OF DANVILLE, KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED JUNE 30, 2023*

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**Note 1—Basis of presentation**

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

**Note 2—Summary of significant accounting policies**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Note 3—Indirect cost rate**

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

**Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Mayor and Board of Commissioners  
City of Danville, Kentucky  
Lexington, 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 Danville, Kentucky (the “City”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 10, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

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

**City of Danville Kentucky’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

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

*Cherry Bekaert LLP*

Lexington, Kentucky  
February 10, 2025

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Mayor and Board of Commissioners  
City of Danville, Kentucky  
Lexington, Kentucky

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the City of Danville, Kentucky's (the "City") 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 the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

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

#### ***Basis for Opinion on Each Major Federal Program***

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

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

#### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

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

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

### ***Report on Internal Control over Compliance***

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

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

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

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

*Cherry Bekaert LLP*

Lexington, Kentucky  
February 10, 2025

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2023

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**Section I—Summary of auditors’ results**

**Financial Statements:**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified   X   Yes        No
- Significant deficiencies identified that are not considered to be material weaknesses        Yes   X   None Reported

Non-compliance material to financial statements noted        Yes   X   No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses        Yes   X   None Reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Major Programs:

AL Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as a low-risk auditee?        Yes   X   No

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2023

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**Section II—Findings related to financial statements**

**2023-001 – Material Weakness – Audit Adjustments (Recurring)**

*Criteria* – Management of the City is responsible for establishing and maintaining effective internal controls over the financial reporting process of the City.

*Condition* – During the course of our audit, we identified certain material misstatements related to cash, accounts receivable and note payable balances that were not identified by the City's internal controls over financial reporting.

*Cause* – The City did not have properly operating internal controls in place over the monthly reconciliation process for account balances in the balance sheet and statement of net position. The following areas required audit adjustments: cash, accounts receivable, and notes payable.

*Effect* – Cash, accounts receivable, and notes payable balances were materially misstated.

*Recommendation* – We recommend management review of monthly account reconciliations and subsidiary ledgers, improve analysis of the financials compared to prior years, and improved internal communication in the financial closeout process. We recommend that all subledgers be reconciled each month to the financial database. An individual other than the preparer of these reconciliations should review all reconciliations to ensure these are completed within 30 days after month end. Upon completion, the reviewer should initial and date the reconciliation.

*Response* – The City of Danville has taken steps to improve internal controls over financial reporting.

**CITY OF DANVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2023

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**2023-002 – Material Weakness – Accounting for Cash (Recurring)**

*Criteria* – The City should have internal controls in place to ensure that bank account activity presented across multiple, separate funds is reconciled on the individual fund level.

*Condition* – During the course of our audit, we identified material differences between the reconciled cash balances of the related due to/from (cash) activity listed on the fund level.

*Cause* – Management properly reconciled bank account statements. However, management failed to reconcile the allocated cash balances at the fund level.

*Effect* – Material audit adjustments were necessary to properly record cash balances and activity on the fund level.

*Recommendation* – We recommend management enhance its internal controls over cash on a fund level, specifically in relation to bank accounts shared by multiple, separate funds. In addition, monthly reconciliations should be performed on due to/from accounts to tie out activity across funds.

*Response* – The City of Danville is working on improvements to the reconciliation process of due to/from (cash) activity across multiple separate funds. While the City reconciles bank balances weekly and monthly, assignment of activity across funds within the financial accounting software was not processing correctly, and controls were lacking to detect the error. The City is putting controls in place to ensure due to/from (cash) activity is reconciled to the accurate fund level monthly. Additionally, the City identified this system issue with the City’s financial accounting software wherein the due to/from (cash) activity was not populated correctly, contributing to the differences noted within the audit. The City has since transitioned to a new financial accounting system which includes new systematic controls for recording interfund transactions.

**Section III—Findings and questioned costs for federal awards**

None

**Section IV—Prior audit findings**

2022-001 – Material Weakness – Audit Adjustments (Recurring)

2022-002 – Material Weakness – Accounting for Cash (Recurring)