ELECTRIC & WATER PLANT BOARD OF
THE CITY OF FRANKFORT, KENTUCKY

FINANCIAL STATEMENTS
JUNE 30, 2023

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

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REPORT OF INDEPENDENT AUDITORS

Members of the Electric & Water Plant Board
of the City of Frankfort, Kentucky
Frankfort, Kentucky

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Electric & Water Plant Board of the City of Frankfort, Kentucky (the "Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which comprise the Board's 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 business-type activities of the Board, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board 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 opinion.

Emphasis-of-Matter

As described in Note 3, the Board adopted Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements* during 2023. We did not modify our opinion regarding this matter.

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.

Members of the Electric & Water Plant Board
of the City of Frankfort, Kentucky
Frankfort, Kentucky

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 Board'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 opinion. 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 judgement 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 judgement 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 Board'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board'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.

Members of the Electric & Water Plant Board
of the City of Frankfort, Kentucky
Frankfort, Kentucky

Prior-Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Board's Proportionate Share of the Net Pension Liability, the Schedule of the Board's Pension Contributions, the Schedule of the Board's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability, and the Schedule of the Board's OPEB Contributions 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 an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying combining statements and budgetary comparison schedules on pages 45 through 48, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Members of the Electric & Water Plant Board
of the City of Frankfort, Kentucky
Frankfort, Kentucky

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the Board'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 Board'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 Board's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
December 11, 2023

The following discussion and analysis of the Electric & Water Plant Board (the "Board") of the City of Frankfort, Kentucky's financial performance provides an overview of the financial activities of the fiscal years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the Board's financial statements, which follow this section.

The Board was established under Kentucky Revised Statutes (KRS 96.176) as a combined Electric and Water System to operate, maintain, improve, and expand the respective facilities and began operations in 1943. In 1954, the Board created Community Television and appointed a separate Cable Board to provide Cable Television (TV) service to Frankfort and the surrounding area. In 1988, the Board took direct control of the Cable TV operation in order to provide additional services over a fiber optic network, as a public project (the Full-Service Network). All three operations are combined together and presented in the financial statements of this report. Telecommunications operations are separated from the Electric and Water operations on the report under "Supplementary Information". The Full-Service Network includes Digital TV, High-Definition Television (HDTV), Digital Video Recorder (DVR), Broadband Service, Point to Point Fiber Service, Security Service, and Local and Long-Distance telephone service.

Financial Highlights

- The Board's net position increased $6,382,814 during fiscal year 2023 compared to an increase of $10,950,877 during fiscal year 2022.

Revenues

- Total operating revenues were $104,043,244 for fiscal year 2023 compared to $100,068,609 for fiscal year 2022.

Expenses

- Operating expenses were $99,010,157 for fiscal year 2023 compared to $89,974,601 for fiscal year 2022.

Financial Overview

The Board's financial statements are comprised of two components:

- Financial statements; and
- Notes to the financial statements

Included as part of the financial statements are three different types (and names) of statements and their respective notes. The three financial statement types:

1. The statement of net position presents information on the Board's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial condition of the Board is improving or deteriorating.

2. The statement of revenues, expenses, and changes in net position presents information showing how the Board's net position changed during fiscal year 2023. Results of the Board's operations are reported as the underlying events occur, regardless of the timing of

cash flows. This means that the Board's revenues and expenses are reported in the financial statements for some items that will result in cash flows (positive or negative) in some future year. This is the "accrual" basis of accounting and is further explained in Note 2.

3. The statement of cash flows presents the cash flow changes occurring during fiscal year 2023 in highly liquid cash and investments, including certain restricted cash accounts or cash-like assets. "Highly liquid" means it is, or can quickly be, turned into usable cash.

The notes to the financial statements provide additional information that is essential for a full and complete understanding of the information provided in the financial statements.

FINANCIAL ANALYSIS

Statement of Net Position

	June 30, 2023	June 30, 2022	Change	% Change
Current and other assets	$ 47,616,348	$ 49,057,834	$ (1,441,486)	(2.94%)
Capital assets, net	139,853,822	129,780,858	10,072,964	7.76%
Total assets	187,470,170	178,838,692	8,631,478	4.83%
Deferred outflows of resources	11,882,333	12,062,809	(180,476)	(1.50%)
Total assets and deferred outflows	199,352,503	190,901,501	8,451,002	4.43%
Current liabilities	16,876,869	16,009,013	867,856	5.42%
Long-term Liabilities	55,837,567	49,463,369	6,374,198	12.89%
Total liabilities	72,714,436	65,472,382	7,242,054	11.06%
Deferred inflows of resources	4,339,271	9,513,137	(5,173,866)	(54.39%)
Total liabilities and deferred inflows	77,053,707	74,985,519	2,068,188	2.76%
Net investment in capital assets	134,537,952	123,281,508	11,256,444	9.13%
Restricted	649,950	607,000	42,950	7.08%
Unrestricted	(12,889,106)	(7,972,526)	(4,916,580)	61.67%
Total net position	$ 122,298,796	$ 115,915,982	$ 6,382,814	5.51%

Assets and Deferred Outflows of Resources
The Board's total assets and deferred outflows of resources increased $8,451,002 from fiscal year 2022. The statement of net position indicates the most significant change was in capital assets. Capital assets increased primarily due to due to three large projects: fiber network construction, Advanced Metering Infrastructure, and Water Reservoir replacement.

Liabilities and Deferred Inflows of Resources
The Board's total liabilities and deferred inflows of resources increased by $2,068,188 from fiscal year 2022 due primarily to the increase in the Board's net pension and other post-employment benefits liabilities.

Net Position

The Board's assets and deferred outflows exceeded its liabilities and deferred inflows by $122,298,796 at the end of fiscal year 2023. This represents an increase of $6,382,814 from fiscal year 2022.

The vast majority of the Board's net position is invested in capital assets, such as electric transmission and distribution facilities, water treatment and distribution assets, and telecommunication equipment and infrastructure, less any related debt used to acquire such assets that remain outstanding as of the end of the fiscal year.

Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2023	June 30, 2022	Change	% Change
Operating revenues	$ 104,043,244	$ 100,068,609	$ 3,974,635	3.97%
Operating expenses	99,010,157	89,974,601	9,035,556	10.04%
Income from operations	5,033,087	10,094,008	(5,060,921)	(50.14%)
Net non-operating revenue	944,660	306	944,354	308,612%
Income before capital contributions	5,977,747	10,094,314	(4,116,567)	(40.78%)
Capital contributions	405,067	856,563	(451,496)	(52.71%)
Change in net position	$ 6,382,814	$ 10,950,877	$ (4,568,063)	(41.71%)

Revenues

Operating revenues in 2023 increased by $3,974,635 or 3.97% compared to operating revenues in 2022 of $100,068,609. This increase in revenue is primarily due to an increase in electric revenue from higher customer usage.

Expenses

Operating expenses increased in 2023 compared to 2022 by $9,035,556 or 10.04% to $99,010,157. This increase in operating expenses is primarily due to increase in power supply costs and payroll.

Non-operating revenues (expenses) ended the year with a net revenue of $944,660, which was an increase over the prior year's net revenue of $306. This increase is primarily due to an increase in interest income from certificates of deposit due to rising interest rates, and a 2022 loss from debt extinguishment of $474,726 from the defeasance of 2015A Revenue Bonds.

BUDGET

Every year, the Board approves a one-year budget and an additional four-year financial plan for all operations of the Board. Budgeted revenues and expenses are calculated based on historical trends, most recent financial results, and knowledge of future circumstances that will impact the financial performance of the Board. The budget and financial plan includes a comprehensive capital plan and cash reserve estimate based on projected financial performance. Budget verses actual financial reports are reviewed regularly by the Board and are presented in the supplementary information section of this report for the year ended June 30, 2023.

CAPITAL ASSETS

The Board's investments in capital assets, net of accumulated depreciation, amounted to $139,853,822 as of June 30, 2023 and $129,780,858 as of June 30, 2022. This includes investment in electric, water, and telecommunications plant infrastructure, as well as general items such as office equipment, vehicles, etc. See Note 5 for additional information on capital assets. The following is a summary of capital assets activity during the fiscal year ending June 30, 2023:

	June 30, 2022	Additions and Transfers	Transfers and Retirements	June 30, 2023
Capital assets	$ 280,032,532	$ 11,413,343	$ (190,387)	$ 291,255,488
Accumulated depreciation	(168,105,484)	(7,697,030)	185,886	(175,616,628)
Non-depreciable capital assets	17,853,810	17,776,808	(11,415,656)	24,214,962
Capital assets, net	$ 129,780,858	$ 21,493,121	$ (11,420,157)	$ 139,853,822

Major capital assets events during the current fiscal year included:

Electric Division

- Reservoir substation construction
- AMI meter deployment
- Capital Plaza substation rebuild/replacement
- Capital Plaza re-conductor design
- Replace green street light poles
- Downtown OVH conductor to URD conductor
- New services

Water Division

- Reservoir construction
- AMI meter deployment
- Line Stop/Bypass/New 36-inch feed to reservoir
- SCADA upgrade at WTP
- Water line replacement projects
- New services
- WTP Ammonia and sulfuric project

Telecommunications Division

- Finish construction of IRP phase 2 and begin design of IRP phase 3
- Upgrade set-top boxes SD/HD/DVR
- Community Wi-Fi – expand service area to 2 additional parks
- Upgrade modems and add whole-home WIFI equipment
- Begin the design and build of the county-wide fiber project

LONG-TERM DEBT

As of June 30, 2023, and 2022, the Board had long-term bonds outstanding in the amount of $440,870 and $874,350, respectively, including the unamortized bond premiums associated with these bonds. The 2013 Electric and Water Revenue Bonds Series with a year-end balance of $440,870 are paid solely from the net revenues of the combined electric and water system.

The Board has one long-term lease financing outstanding with Wesbanco Bank in Frankfort, Kentucky. The original proceeds were used for Full-Service Network (FSN) improvements and expansions in the system. As of June 30, 2023, and 2022, the outstanding balances for the FSN third-lien lease were $4,875,000 and $5,625,000, respectively.

The following is a summary of bonds (including unamortized bond premium), and leases payable activity for the year ended June 30, 2023:

Debt Description	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Bonds and leases payable	$ 6,499,350	$ -0-	$ (1,183,480)	$ 5,315,870	$ 1,190,870
Total	$ 6,499,350	$ -0-	$ (1,183,480)	$ 5,315,870	$ 1,190,870

There is a full summary of all of the Board's revenue bonds, loans and lease obligations located in Note 6 of this report.

CURRENTLY KNOWN FACTS AND OPERATING ACTIVITIES

The primary goals of the electric division are to continue to strengthen the transmission/distribution system and to improve power quality and reliability. The electric division will continue to perform upgrades of transmission/distribution lines and facilities, specifically breaker replacements and implementations of Advanced Metering Infrastructure (AMI) and additional smart grid technologies. The division will also continue to improve and expand the existing distribution substations to include increased Supervisory Control and Data Acquisition (SCADA) functionality. This will give our system greater flexibility, redundancy, and improved efficiencies.

In fiscal year 2023, we continued the implementation of our AMI project, which will span 2-3 years. System deployment has begun so, during fiscal year 2024, we plan to continue the deployment across the service territory.

We will continue animal guard installation, tree trimming and spray programs to maintain low incidences of tree related outages. FPB maintains reliability indices three times better than the national average with aggressive line maintenance and adherence to a tree-trimming program being a large part of that success.

Water

The primary goal of the water division is to meet existing and future demand for safe, high-quality water that exceeds regulatory standards at a reasonable rate. This will be accomplished by monitoring and maintaining the aging infrastructure of our water system and implementing projects to strengthen and improve our infrastructure. The following initiatives will be implemented to achieve these goals:

- Enhance water quality and flow characteristics through the systematic elimination of dead ends, the replacement of deteriorating mains, and the addition of mixing systems in our storage tanks
- Complete the Reservoir Replacement project in fiscal year 2024
- Continue to replace aging subsystems at the water treatment plant
- Continue implementation of the AMI project during fiscal year 2024

While we do not anticipate the need to add any personnel positions over the next five years the water division does face rising operational costs and is challenged by minimal cash reserve levels. In addition to rising operational costs, the water division has continued to see water consumption drop year over year due to customer conservation efforts, more efficient appliances and sewer rates linked to water usage that are higher than the water rate for average residential monthly usage. Based on these challenges, the need to implement regular rate adjustments annually is anticipated.

Telecommunications

The primary goal of the Telecommunications division is to meet the existing and anticipated future demands for services while assuring quality, reliable, and economical services. In order to accomplish this goal, the division will continue to engineer, design, and build the Board's next generation Fiber-to-the-Home (FTTH) network which has been named NextBand.

During fiscal year 2024, we will continue to engineer, design, and build the FTTH network. This FTTH infrastructure will position the Board's telecommunications division for at least 30 years with a low-maintenance fiber optic network that will have the immediate bandwidth capacity to handle all modes of digital video, data, and voice traffic. The FTTH network will have the flexibility to easily increase bandwidth capacities to satisfy future customer demand by replacing end-point electronic components at a reasonable cost, which can be done network-wide or for individual customers or classes of customers.

Administrative and General

The Board continues to streamline processes and increase efficiency in departments that provide services to all divisions within the company with the goal of decreasing the pace of rate increases driven by issues discussed above.

Overall

Over the coming years, the Board has several significant capital projects planned that are needed to maintain the level of superior, reliable service that our customers have come to expect. We must also continue to move the company forward by implementing and utilizing innovative technologies to improve efficiency and performance. We will continue to monitor and manage costs in an ever-changing regulatory environment in order to provide services at the most reasonable rates possible.

CONTACT INFORMATION

This financial report is designed to provide customers, creditors, and other users with an overview of The Electric and Water Plant Board of the City of Frankfort, Kentucky's finances, fiscal practices and responsibilities. If you have questions or need additional information, please contact the General Manager at 151 Flynn Avenue, Frankfort, Kentucky.

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

STATEMENT OF NET POSITION

JUNE 30, 2023

(With Summarized Financial Information as of June 30, 2022)

	2023	2022
Assets		
Current assets		
Unrestricted cash and cash equivalents	$ 7,381,673	$ 20,293,272
Accounts receivable, net	12,231,451	13,652,852
Inventory, net	6,546,872	5,434,362
Unrestricted investments	19,474,896	8,196,706
Restricted investments	392,000	392,000
Prepaid expenses	843,078	873,642
Total current assets	46,869,970	48,842,834
Noncurrent assets		
Restricted cash reserves	378,567	215,000
Depreciable capital assets, net of accumulated depreciation	115,638,860	111,927,048
Capital assets not being depreciated	24,214,962	17,853,810
Subscription assets	367,811	-0-
Total noncurrent assets	140,600,200	129,995,858
Total assets	187,470,170	178,838,692
Deferred Outflows of Resources		
Deferred amounts from pension	6,826,339	5,932,518
Deferred amounts from other postemployment benefits	5,055,994	6,130,291
Total deferred outflows of resources	11,882,333	12,062,809
Total assets and deferred outflows of resources	$ 199,352,503	$ 190,901,501
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 9,819,413	$ 9,203,154
Customer deposits	3,466,356	3,256,267
Unearned revenues	2,348,670	2,366,112
Current portion of subscription liabilities	51,560	-0-
Bonds and leases payable due in one year	1,190,870	1,183,480
Total current liabilities	16,876,869	16,009,013
Long-term liabilities		
Net pension liability	40,481,174	33,954,431
Net OPEB liability	11,049,584	10,193,068
Subscription liabilities	181,809	-0-
Bonds and leases payable	4,125,000	5,315,870
Total long-term liabilities	55,837,567	49,463,369
Total liabilities	72,714,436	65,472,382
Deferred Inflows of Resources		
Deferred amounts from pension	360,502	4,855,106
Deferred amounts from other postemployment benefits	3,978,769	4,658,031
Total deferred inflows of resources	4,339,271	9,513,137
Total liabilities and deferred inflows of resources	77,053,707	74,985,519
Net Position		
Net investment in capital assets	134,537,952	123,281,508
Restricted for debt retirement	649,950	607,000
Unrestricted deficit	(12,889,106)	(7,972,526)
Total net position	122,298,796	115,915,982
Total liabilities, deferred inflows of resources and net position	$ 199,352,503	$ 190,901,501

See accompanying notes to the financial statements.

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023	2022
Operating Revenues		
Electric	$ 62,560,337	$ 59,797,731
Water	12,812,683	11,638,032
Telecommunications	28,670,224	28,632,846
Total operating revenues	104,043,244	100,068,609
Operating expenses		
Electric	59,741,233	52,335,177
Water	11,556,732	11,094,860
Telecommunications	27,712,192	26,544,564
Total operating expenses	99,010,157	89,974,601
Income from operations	5,033,087	10,094,008
Non-operating revenues (expenses)		
Other revenue	679,211	624,330
Interest revenue	475,477	76,187
Interest expense	(263,450)	(289,430)
Gain on sale of capital assets	53,422	63,945
Loss on debt extinguishment	-0-	(474,726)
Total non-operating revenues (expenses)	944,660	306
Income before capital contributions	5,977,747	10,094,314
Capital contributions	405,067	856,563
Change in net position	6,382,814	10,950,877
Net position beginning of year	115,915,982	104,965,105
Net position end of year	$ 122,298,796	$ 115,915,982

See accompanying notes to the financial statements.

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023	2022
Cash Flows From Operating Activities		
Cash received from users and customers	$ 104,808,925	$ 100,572,627
Cash payments to and on behalf of employees for services and benefits	(23,691,676)	(23,716,923)
Cash payments to suppliers of goods and services	(65,055,396)	(59,388,503)
Net cash provided by operating activities	16,061,853	17,467,201
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(17,688,344)	(18,180,755)
Proceeds from sale of capital assets	57,923	36,697
Payment to irrevocable trust for 2015A bond defeasance	-0-	(14,098,063)
Principal paid on debt obligations	(1,180,000)	(8,279,622)
Interest paid on debt obligations	(263,343)	(336,475)
Net cash used by capital and related financing activities	(19,073,764)	(40,858,218)
Cash Flows from Noncapital Financing Activities		
Prepayments on subscription assets	(87,644)	-0-
Principal payments on subscription liabilities	(124,041)	-0-
Cash received from other non-operating revenues	1,278,277	599,094
Net cash provided by noncapital financing activities	1,066,592	599,094
Cash Flows from Investing Activities		
Receipt of interest	475,477	50,935
Purchase of investments	(35,756,455)	(15,785,056)
Sale of investments	24,478,265	35,266,072
Net cash provided (used) by investment activities	(10,802,713)	19,531,951
Net change in cash and cash equivalents	(12,748,032)	(3,259,972)
Cash and Cash Equivalents, Beginning of Year	20,508,272	23,768,244
Cash and Cash Equivalents, End of Year	$ 7,760,240	$ 20,508,272
Reconcilement of Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	$ 7,381,673	$ 20,293,272
Restricted cash and cash equivalents	378,567	215,000
Cash and cash equivalents, end of year	$ 7,760,240	$ 20,508,272
Reconcilement of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 5,033,087	$ 10,094,008
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	7,774,275	7,501,729
Bad debts	249,301	(106,769)
Inventory reserve	164,131	142,592
Change in assets and liabilities:		
Accounts receivable	573,034	(90,532)
Inventory	(1,276,641)	(793,153)
Prepaid expenses	30,564	(220,786)
Accounts payable and accrued expenses	931,586	(835,443)
Customer deposits	210,089	52,431
Unearned revenue	(17,442)	262,000
Net pension liability	6,526,743	(5,236,314)
Net OPEB liability	856,516	(2,141,657)
Deferred outflows and deferred inflows of resources-pension	(5,388,425)	6,435,149
Deferred outflows and deferred inflows of resources-OPEB	395,035	2,403,946
Net cash provided by operating activities	$ 16,061,853	$ 17,467,201
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Contributed capital assets	$ 405,067	$ 254,063
Capital asset acquisitions in accounts payable and accrued expenses	$ 263,548	$ 582,462
Subscription asset obtained in exchange for new subscription liability	$ 357,410	$ -0-

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF ORGANIZATION AND OPERATIONS

The Electric & Water Plant Board of the City of Frankfort, Kentucky (the "Board") was formed in April 1943 through the acquisition by the City of Frankfort of the entire capital stock of the Tri-City Utilities Company. The Company was dissolved immediately after the acquisition of the capital stock. The properties and the operation of the combined electric and water system purchased were placed under the control of the Electric & Water Plant Board, which consists of five members appointed by the Mayor and approved by the City Commissioners. Since 1946, the Board operates as an independent entity under the provisions of the Kentucky Revised Statutes 96.172 through 96.188. The Board produces its own water supply and purchases electricity from the Kentucky Municipal Energy Agency (KYMEA) Company. On January 1, 1988, the Electric & Water Plant Board acquired the assets and interests of Community Cable Services, Inc. Previously, the cable system was operated as an independent subsidiary of the Board and controlled by a separate Board of Directors. On January 1, 1989, the Electric & Water Plant Board assumed the ownership of the North Woodford Water District facilities in consideration for the assumption of its obligations and liabilities. The Kentucky Public Service Commission approved the acquisition on October 6, 1988. The Board bills and collects sewer charges for the City of Frankfort and school tax for the local city and county school boards.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America 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 financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

In October of 1999, the Board of Directors of the Electric & Water Plant Board formed the Frankfort Plant Board Municipal Projects Corporation (the "Corporation) with the purpose of authorizing and approving the initial financing of the costs of the new improvements to and expansions of the Municipal Cable Television of the Board. The Corporation will provide the lease for the cable system, as improved and expended, to the Plant Board and authorize the assignment of the Corporation's rights and interest under the lease to Wesbanco.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles and policies utilized by the Board are described below:

Reporting Entity
The Board is not considered a component unit of the City of Frankfort. The Board operates under the provisions of the Kentucky Revised Statutes mentioned above. Additionally, the City of Frankfort does not exercise financial, budgetary, accounting, or administrative controls over the Board. Therefore, the financial statements of the Board are not included in the financial statements of the City of Frankfort.

Basis of Accounting
The Board is accounted for as an enterprise fund, which is a type of proprietary fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. All proprietary funds are accounted for using the accrual basis of accounting. For internal management and statutory purposes, the Board maintains the internal funds described below.

Purpose of Various Internal Funds

Operating Funds

1. Water and Electric Revenue Fund - Chapter 96 of the Kentucky Revised Statutes provides that all revenues of the system shall be placed in this fund as collected. Distributions to other funds are made upon approval of the Board in accordance with the requirements of each fund.

2. Operations and Maintenance Fund - This fund was created for the purpose of paying expenses of operating and maintaining the combined water works, electric power, cable, and Full-Service network systems. The amount necessary to meet these expenses is transferred to this fund as needed from the Revenue Fund accounts. Approval of expenditures from this fund is made by the Board upon presentation of request for reimbursement to this fund.

Restricted Funds

1. Electric and Water Revenue Bonds and Interest Sinking Fund - This fund was established in accordance with Kentucky Revised Statute 96.182. It provides that a reserve is to be accumulated over a ten-year period to equal the average annual interest and principal requirements for such bonds then outstanding.

Budgets and Budgetary Accounting
The Board follows these procedures in establishing budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for all funds.
2. The Board approves the budget.
3. Unused appropriations of the annual budget lapse at the end of the year.
4. The budgeted amounts shown in the supplemental schedules are the formal authorized amounts as revised during the year.

Revenue Requirements
The Board is regulated by Kentucky Revised Statute 96.182 concerning the application of revenues earned by the Board. The provisions of Kentucky Revised Statute 96.182 are as follows:

Subject to the provisions of outstanding bonds and contracts, the Board shall apply all funds derived from operations (1) to the payment of operating expenses, (2) to the payment of bond interest and retirement, (3) to sinking fund requirements, (4) to the maintenance of a fund to meet depreciation and the improvements and extension of the plant in an amount equal to six percent (6%) of the undepreciated book value of its property, (5) to the maintenance of a cash working fund equal to one month's revenue, and (6) to the payment of other obligations incurred in the operations and maintenance of the plant and the furnishings of service.

Cash and Cash Equivalents
The Board considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Statutes require that financial institutions pledge approved securities to secure those funds on deposit in an amount equal to the amount of those funds.

Restricted and Unrestricted Asset Funds
As of June 30, 2023, the restricted funds are reserved for the purpose of bond debt service, funding of capital construction, cost of issuance, and debt service reserves. Unrestricted funds, generated from service fees and other operating income, are used to pay for operating expenses, invest in capital assets, and service debt. When an expense or outlay is incurred for which both restricted and unrestricted net position is available, it is the Board’s practice to use revenue from operations to finance construction, then to reimburse from restricted net position for construction as it is needed.

Investments
Investments of the Board consist of certificates of deposit, which are stated at cost and approximate fair value.

Inventory
Materials and supplies inventory are stated at lower of cost or market using average cost to determine unit cost on all items.

Accounts Receivable
Accounts receivable consist primarily of user fees charged in the month when earned from customers for services. Electric and water fees are recorded as accounts receivable and revenue in the month when earned. Telecommunications fees are billed one month in advance and are recorded as unearned revenues when billed.

The following is a summary of accounts receivable as of June 30, 2023:

Billed user fees, net	$	7,550,860
Unbilled user fees		4,476,351
Other		204,240
Accounts receivable, net	$	12,231,451

Allowance for Uncollectible Amounts
The Board records an allowance for doubtful accounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts at June 30, 2023 was $356,605.

Capital Assets
Capital assets include property, plant and equipment. Expenditures for items having a useful life greater than one year and a cost greater than $1,000 are capitalized. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value. Depreciation is provided in amounts sufficient to expense the related cost of the depreciable assets to operations over their estimated useful lives on the straight-line basis. The estimated useful lives by type of asset are as follows:

Structure and Improvements	30 years
Electric Distribution Systems	30 years
Water Distribution Systems	50 years
Cable Distribution System	15 years
Furniture and Equipment	5 – 10 years

Impairment of Capital Assets

In accordance with GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, other changes in environmental factors, technology changes or evidence of obsolescence, changes in manner or duration of use of a capital asset, and construction stoppage. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were recognized during the year ended June 30, 2023.

Accumulated Compensated Absences

It is the Board's policy to permit employees to accumulate limited amounts of earned, but unused vacation pay which will be paid to employees upon separation from the Board's service. Vacation pay is accrued in the period in which it is earned and is reflected in accrued expenses.

Bonds Payable

Bonds payable are recorded at the principal amount outstanding, net of any applicable premium or discount. Bond issue costs are expensed in the year incurred. Original issue discounts and premiums on bonds are amortized as a component of interest expense using the straight-line method, which approximates the effective interest method, over the lives of the bonds to which they relate.

Pensions and Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to or deductions from the CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The Board became a member of the CERS on July 1, 1988. Eligible employees were enrolled in CERS on that date.

Restrictions of Net Position

The restricted net position represents the amount of revenue bond sinking accounts, which are resources accumulated for debt service payments.

Operating Revenues and Expenses

Operating revenues are those that are generated directly from the primary activity of the Board, such as charges for utility services. Operating expenses are necessary costs that have been incurred in order to provide the goods or services that are the primary activity.

Operating expenses generally refer to the ordinary and necessary business expenses incurred in the day-to-day operations of the Board. They include such things as system maintenance, fleet maintenance, office supplies, customer service, fringe benefits, billing, and accounting. These are current period expenses, which are not otherwise capitalized as part of construction projects having a service life greater than one year. Operating expenses do not include interest expense, which relates to financing activities.

Non-Operating Revenues and Expenses
Non-operating revenues and expenses are comprised of investment and financing earnings and costs as well as other gains and losses.

Capital Contributions
Construction and acquisition of facilities and plants are financed, in part, from governmental grants and contributions in aid of construction from property owners and developers. Governmental grants in aid of construction represent the portion of construction cost incurred where paperwork has been submitted to the grantor. These amounts are recorded as a receivable and revenues from contributions at the time the documentation is submitted for reimbursement. The revenues from capital contributions are part of the change in net position.

Estimates in the Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires, at times, management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2022, the Board adopted the new accounting standard, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement intended to improve financial reporting about information technology subscriptions by requiring entities to recognize on the balance sheet the assets and liabilities for the rights and obligations created by such arrangements, and to provide additional disclosures. Arrangements with terms (as defined in GASB Statement No. 96) of twelve months or less are not required to be reflected on the entity's statement of net position.

The adoption of this Statement did not have a material effect on the prior period financial statements of the Board. Therefore, no restatement of the prior period was necessary.

NOTE 4 – INVESTMENTS

Investments of the Board are all invested in non-negotiable certificates of deposit with maturity dates ranging from November 2023 to May 2024. Certificates of deposits are held at contract value, which approximates fair value.

Interest Rate Risk: The Board has an investment policy, limiting investments to interest bearing accounts and certificates of deposit with a maturity of no greater than three years. The policy effectively manages the Boards exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits the type of investment in which the Board may invest its funds. The Board's policy is within State guidelines.

Concentration of Credit: The Board places no limit on the amount it may invest in any one investment.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. As of June 30, 2023, the board had approximately $17,000 of uninsured and uncollateralized cash.

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2023:

	June 30, 2022	Additions and Transfers	Transfers and Retirements	June 30, 2023
Capital assets not being depreciated				
Land	$ 584,030	$ -0-	$ -0-	$ 584,030
Construction in progress	17,269,780	17,776,808	(11,415,656)	23,630,932
Total capital assets not being depreciated	17,853,810	17,776,808	(11,415,656)	24,214,962
Capital assets				
Structures and improvements	41,797,875	239,518	-0-	42,037,393
Plant infrastructure	171,008,910	7,443,771	-0-	178,452,681
Plant equipment	41,337,778	2,921,259	-0-	44,259,037
Transport equipment	7,325,664	356,786	(175,284)	7,507,166
Power operated equipment	2,907,260	2,750	(15,103)	2,894,907
Lab equipment	65,151	-0-	-0-	65,151
Furniture and fixtures	7,893,515	47,719	-0-	7,941,234
Garage equipment	408,631	6,060	-0-	414,691
Computer equipment	4,063,126	174,464	-0-	4,237,590
Communications equipment	565,321	-0-	-0-	565,321
Miscellaneous equipment	2,659,301	221,016	-0-	2,880,317
Total depreciable capital assets	280,032,532	11,413,343	(190,387)	291,255,488
Total capital assets	297,886,342	29,190,151	(11,606,043)	315,470,450
Accumulated depreciation				
Structures and improvements	12,743,719	1,159,850	-0-	13,903,569
Plant infrastructure	110,080,460	4,402,174	-0-	114,482,634
Plant equipment	24,679,696	1,071,292	-0-	25,750,988
Transport equipment	4,205,890	533,843	(170,783)	4,568,950
Power operated equipment	2,665,497	62,811	(15,103)	2,713,205
Lab equipment	65,722	951	-0-	66,673
Furniture and fixtures	7,486,371	79,472	-0-	7,565,843
Garage equipment	389,144	3,764	-0-	392,908
Computer equipment	3,621,626	182,058	-0-	3,803,684
Communications equipment	485,004	21,444	-0-	506,448
Miscellaneous equipment	1,682,355	179,371	-0-	1,861,726
Total accumulated depreciation	168,105,484	7,697,030	(185,886)	175,616,628
Total depreciable capital assets, net of accumulated depreciation	111,927,048	3,716,313	(4,501)	115,638,860
Net capital assets	$ 129,780,858	$ 21,493,121	$ (11,420,157)	$ 139,853,822

The Board has several projects under construction at June 30, 2023. A summary of construction in progress is below:

Division	Description	FY 2023
Water	New reservoir design & construction	$ 7,555,074
Telecommunications	Fiber-to-the-Home (FTTH)	4,218,732
Electric	AMI engineering/procurement/implementation	3,731,193
Electric	Replace T54	2,626,657
Water	AMI engineering/procurement/implementation	2,300,465
WTP	Ammonia & Sulfuric Project	990,370
Electric	Main 3 Myrick	424,330
Electric	Community Solar	374,452
WTP	SCADA Upgrade	365,106
Electric	CKT 541 Reconductor	258,622
Electric	Projects < $100K	211,426
WTP	Traveling Screen replacement	196,167
Telecommunications	Projects < $100K	177,186
Adminstration	Vehicle Replacement	127,208
Water	Projects < $100K	73,944
	Total	$ 23,630,932

The estimated cost to complete construction projects under contract was approximately $5,503,122 at June 30, 2023 over the next three to five years.

NOTE 6 – BONDS, LEASES, LOANS, AND KIA PAYABLES

The following schedule summarizes the Board's revenue bonds and lease obligations:

Issue	Purpose of Issue	Original Issue	Interest Rate	Final Maturity	Amount Outstanding
2013 Electric & Water Bonds	Refinance note payable used for major improvement and additions to the electric and water systems	$ 3,920,000	2.0% - 3.5%	12/1/2023	$ 440,000
FSN Third-Lien Lease	Finance the construction of a new headend facility and related cable telecommunications improvements	$ 9,000,000	3.00%	12/31/2029	4,875,000
Total Bond Premiums					870
					$ 5,315,870

Pledged Revenues: Through the various bond financing agreements, the Board has generally pledged available System Revenues (not Full-Service Network Revenues) to secure payment associated with the bond issues. Lease financing obligations are subject to rental payments derived from and are secured by a subordinated pledge of the net revenues (after providing for operation and maintenance expenses and a reasonable allowance for depreciation) of the Expanded Systems as defined in the lease agreements. It is reasonably expected that such revenues accumulated for operation and maintenance expenses and a reasonable allowance for depreciation will not have to be used to make rental payments under the lease.

Financial Covenants: Electric and Water debt service coverage must be at or above a 1.20. Telecommunications debt has a 1.20 debt service coverage per the debt agreements. Debt service coverage is defined as funds available for debt service divided by net revenue before capital contributions. As of June 30, 2023, the Board reported being in compliance with the debt covenants and reporting requirements.

Bonds and leases payable activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Bonds and Leases payable					
2013 Electric & Water Bonds	870,000	-0-	(430,000)	440,000	440,000
FSN Third Lien Lease	5,625,000	-0-	(750,000)	4,875,000	750,000
Total bonds and leases payable	6,495,000	-0-	(1,180,000)	5,315,000	1,190,000
Bond Premiums	4,350	-0-	(3,480)	870	870
	$ 6,499,350	$ -0-	$ (1,183,480)	$ 5,315,870	$ 1,190,870

The maturities of principal and interest on the bonds and leases payable are as follows:

	Principal	Interest	Total
2024	$ 1,190,000	$ 145,513	$ 1,335,513
2025	750,000	115,313	865,313
2026	750,000	92,813	842,813
2027	750,000	70,313	820,313
2028	750,000	47,813	797,813
2029-2033	1,125,000	29,531	1,154,531
Total	$ 5,315,000	$ 501,296	$ 5,816,296

On July 31, 2021, the Board entered into a defeasance agreement with U.S. Bank National Association to redeem, pay, and discharge the Board's Electric and Water Revenue Bond Series 2015A. The Board deposited $14,098,062 into an irrevocable escrow account invested in U.S. government securities to defease the bonds sufficient to cover future debt service payments of approximately $14,165,000 and to redeem and discharge the bonds on the first optional redemption date of December 1, 2024. As a result, the Board will cut approximately 16 years off the original maturity and save customers approximately $3.95 million in interest expense. Accordingly, the liability has been removed from the statement of net position. As of June 30, 2023, the amount of defeased debt outstanding is $12,284,000.

NOTE 7 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Board carries commercial insurance.

The Board has elected to retain risk related to employees' health insurance. The Board has stop loss coverage with Pan American on the self-insurance plan. There is a specific deductible of $125,000 per employee per year, plus an additional liability corridor of $100,000. There is no lifetime maximum benefit for members due to the Affordable Care Act.

The Board pays Medben a fee to administer this plan. The Board has an insurance escrow account set up as a liability to cover possible future health insurance claims. All claims are paid out of the general funds of the Board through a separate self-insurance checking account.

For the year ended June 30, 2023 and 2022, the Board had the following activity related to the future health insurance claims:

Liability at July 1, 2021	$	331,324
Claims and changes in estimates in fiscal year 2022		1,694,401
Claims paid in fiscal year 2022		(1,837,743)
Liability at June 30, 2022		187,982
Claims and changes in estimates in fiscal year 2023		1,676,280
Claims paid in fiscal year 2023		(1,500,467)
Liability at June 30, 2023	$	363,795

Claims have not exceeded coverage for the last three years.

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN COST SHARING - CERS

General Information About the Pension and OPEB Plan: All full-time and eligible part-time employees of the Board participate in the County Employee Retirement System (CERS). Employees participate in two CERS benefit plans: (1) CERS Nonhazardous Plan, a cost-sharing, multiple-employer defined benefit pension plan, and (2) CERS Nonhazardous Insurance Plan, a plan that provides group hospital and medical benefits to retirees. The CERS Nonhazardous Insurance Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances.

Under the provisions of Kentucky Revised Statute Section 61.505, CERS is administered by the Kentucky Public Pension Authority (KPPA), an agency of the Commonwealth of Kentucky. KPPA also administers the Kentucky Employee Retirement System and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that particular plan, and a pro rata share of administrative costs. KPPA and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

The CERS Nonhazardous Plan and CERS Nonhazardous Insurance Plan are governed by the County Employee Retirement System Board of Trustees.

KPPA issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KPPA website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and other post-employment benefits plan (OPEB) liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of CERS plans and additions to/deductions from the CERS plans' fiduciary net positions have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS Nonhazardous Plan. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

***Members whose participation began before 8/1/2004*:**
Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:
Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by finalaverage compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014:
Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:
Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the CERS, the member contributes 5.00% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the CERS's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return, which exceeds 4.00%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement, the hypothetical account, which includes member contributions, employer contributions and interest credits, can be withdrawn from the CERS as a lump sum or annuitized into a single life annuity option.

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of the CERS Nonhazardous Insurance Plan. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Contributions: The Board is required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KPPA based on an annual valuation last preceding July 1 of a new biennium. The CERS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the CERS Board.

For the fiscal year ended June 30, 2023, participating employers contributed 26.79% (23.40% allocated to pension and 3.39% allocated to OPEB) as set by KPPA, respectively, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investments earnings.

The Board has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2023. Total current year contributions recognized by the Plan were $4,271,053 ($3,730,595 related to pension and $540,458 related to OPEB) for the year ended June 30, 2023. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $398,381.

Members whose participation began before 9/1/2008:

Nonhazardous member contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014:

Nonhazardous member contributions equal 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Members are entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014

Nonhazardous member contributions equal 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the 401(h) Account. Members are entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

PENSION INFORMATION

<u>Total Pension Liability</u>: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Salary increases	3.30 to 10.30 percent, varies by service
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The mortality table used for active members was Pub-2010 General Mortality table, for the nonhazardous 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 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Discount rate assumptions:

(a) **Discount Rate**: The discount rate used to measure the total pension liability was 6.25 percent.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the single discount must include an assumption regarding future employer's contributions made each year. The future contributions are projected in accordance with the current funding policy, established in Statute as amended by House Bill 8, passed during the 2021 legislative session, over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

(c) **Long-Term Rate of Return**: The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target assets allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long term inflation assumption is 2.30% per annum for both the nonhazardous and hazardous system.

(d) **Municipal Bond Rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of Projected Benefit Payments**: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equities:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	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%	

The long-term expected rate of return on pension plan assets was established by the KPPA at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Board's allocated portion of the net pension liability ("NPL") of the CERS Nonhazardous Plan, calculated using the discount rate of 6.25 percent, as well as what the Board's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Proportionate share of net pension liability	$ 50,596,445	$ 40,481,174	$ 32,115,006

Employer's Portion of the Collective Net Pension Liability: The Board's proportionate share of the net pension liability, as indicated in the prior table, is $40,481,174, or approximately 0.56%. The net pension liability was distributed based on 2022 actual employer contributions to the plan.

Measurement Date: June 30, 2022, rolled forwarded from the actuarial valuation date of June 30, 2021 upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no material assumption changes.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: The Board was allocated pension expense of $5,107,626 for the year ended June 30, 2023.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled as deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive CERS Nonhazardous members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the measurement date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 43,280	$ 360,502
Change of assumptions	-0-	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,014,674	-0-
Net differences between expected and actual investment earning on plan investments	1,037,790	-0-
Contributions subsequent to the measurement date	3,730,595	-0-
Total	$ 6,826,339	$ 360,502

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $3,730,595 will be recognized as a reduction of net pension liability in the year ending June 30, 2024. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	$ 1,247,707
2025	677,734
2026	(340,181)
2027	1,149,982
	$ 2,735,242

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

OPEB INFORMATION

Total OPEB Liability: The total other postemployment benefits plan ("OPEB") liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30 to 10.30 percent, average
Investment rate of return	6.25 percent
healthcare trend rates:	
Pre-65	Initial trend starting at 6.40 percent at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 14 years.
Post-65	Initial trend starting at 6.30 percent at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is 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. For disabled members, the PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Thereis some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

(a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.70%, which increased from the 5.20% discount rate used in the prior year.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the single discount must include an assumption regarding future employer's contributions made each year. The future contributions are projected in accordance with the current funding policy.

(c) **Long-Term Rate of Return:** 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.

(d) **Municipal Bond Rate**: The discount rate determination used a municipal bond rate of 3.69% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2022.

(e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(f) **Assumed Asset Allocations**: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equities:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	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%	

The long-term expected rate of return on OPEB plan assets was established by the KPPA at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis**: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents the Board's allocated portion of the net OPEB liability of the CERS, calculated using the discount rate of 5.70% percent, as well as what the Board's allocated portion of the CERS's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate for non-hazardous:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
Proportionate share of net OPEB liability	$ 14,771,532	$ 11,049,584	$ 7,972,773

The following presents the Board's allocated portion of the net OPEB liability of the CERS, calculated using the healthcare cost trend rate, as well as what the Board's allocated portion of the CERS's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage- point lower or 1-percentage-point higher than the current rate for nonhazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	$ 8,215,120	$ 11,049,584	$ 14,453,241

Employer's Portion of the Collective OPEB Liability: The Board's proportionate share of the net OPEB liability, as indicated in the prior table, is $11,049,584, or approximately 0.56%. The net OPEB liability was distributed based on 2022 actual employer contributions to the plan.

Measurement Date: June 30, 2022, rolled forwarded from the actuarial valuation date of June 30, 2021 upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no material assumption changes.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: The Board was allocated OPEB expense of $1,960,233 for the year ended June 30, 2022.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense, they are labeled as deferred inflows. If they will increase OPEB expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarialassumptions, if any, are amortized over the average remaining service life of the active and inactive CERS members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the measurement date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,112,233	$ 2,533,926
Change of assumptions	1,747,569	1,439,987
Changes in proportion and differences between employer contributions and proportionate share of contributions	808,878	4,856
Net differences between expected and actual investment earning on plan investments	448,475	-0-
Contributions subsequent to the measurement date	938,839	-0-
Total	$ 5,055,994	$ 3,978,769

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $540,458, which includes the implicit subsidy reported of $398,381, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	$ 263,310
2025	223,702
2026	(486,325)
2027	137,699
	$ 138,386

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

NOTE 9 – DEFERRED COMPENSATION

Eligible employees can participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state employees, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plan is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. A copy of this report may be requested by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 100, Frankfort, Kentucky 40601-8862 or by telephone at 502-573-7925.

NOTE 10 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Board has entered into subscription-based information technology arrangements (SBITAs) involving various software services. The total costs of the Board's subscription assets are $445,054, less accumulated amortization of $77,243 as of June 30, 2023.

Subscription liabilities activity for the year ended June 30, 2023 is as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023	Current Portion	Long-term Portion
Subscription liabilities	$ -0-	$ 357,410	$ (124,041)	$ 233,369	$ 51,560	$ 181,809
Total	$ -0-	$ 357,410	$ (124,041)	$ 233,369	$ 51,560	$ 181,809

The future subscription payments under the SBITA agreement are as follows:

Year ending June 30:	Payment	Interest	Principal
2024	$ 70,930	$ 19,370	$ 51,560
2025	70,930	15,090	55,840
2026	70,930	10,455	60,475
2027	70,930	5,436	65,494
Total	$ 283,720	$ 50,351	$ 233,369
Less: current obligations			(51,560)
Long-term subscription obligations			$ 181,809

As of June 30, 2023, the subscription liability had a remaining term of 4.75 years and an average discount rate of 8.0% using the Board's incremental borrowing rate.

REQUIRED SUPPLEMENTARY INFORMATION

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability	0.56%	0.53%	0.51%	0.48%	0.48%	0.48%	0.50%	0.51%	0.49%
Board's proportionate share of the net pension liability	$ 40,481,174	$ 33,954,431	$ 39,190,745	$ 33,920,796	$ 29,291,199	$ 27,838,798	$ 24,591,568	$ 21,991,771	$ 16,041,000
Board's covered payroll	$ 15,534,757	$ 13,647,786	$ 13,109,590	$ 12,174,321	$ 11,879,220	$ 11,484,973	$ 11,914,702	$ 11,431,022	$ 11,992,713
Board's proportion of the net pension liability as a percentage of its covered payroll	260.58%	248.79%	298.95%	278.63%	246.58%	242.39%	206.40%	192.39%	133.76%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

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

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

SCHEDULE OF THE BOARD'S PENSION CONTRIBUTIONS
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 3,730,595	$ 3,288,708	$ 2,634,023	$ 2,536,163	$ 1,979,294	$ 1,728,392	$ 1,615,247	$ 1,479,545	$ 1,521,452
Contributions in relation to the statutorily required contributions	(3,730,595)	(3,288,708)	(2,634,023)	(2,536,163)	(1,979,294)	(1,728,392)	(1,615,247)	(1,479,545)	(1,521,452)
Annual contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Board's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%	100%	100%
Board's covered payroll	$ 15,942,715	$ 15,534,757	$ 13,647,786	$ 13,109,590	$ 12,174,321	$ 11,879,220	$ 11,484,973	$ 11,914,702	$ 11,431,022
Contributions as a percentage of its covered payroll	23.40%	21.17%	19.30%	19.35%	16.26%	14.55%	14.06%	12.42%	13.31%

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

Changes in Assumptions and Benefit Terms:

2022: There were no changes in assumptions and benefit terms since the prior measurement date.

2021: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- For healthy retired members and beneficiaries, the mortality table used is the 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2020: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2020 legislative session, Senate Bill 249 was enacted, which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total liability but has an impact on the calculation of the contribution rates that would be payable starting July 1, 2020. There are no other material plan provision changes.

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Payroll increase assumption was increased from 3.05% to 3.30%.
- Payroll growth rate was set at 2.00%.

2018: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Salary increase assumption was reduced from 4.00% to 3.05%.

2016: There were no changes in assumptions and benefit terms since the prior measurement date.

2015: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in Schedule D of the CERS actuary report. The changes are noted below:

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

SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability	0.56%	0.53%	0.51%	0.48%	0.48%	0.48%
Board's proportionate share of the net OPEB liability	$ 11,049,584	$ 10,193,068	$ 12,334,725	$ 8,111,480	$ 8,538,923	$ 9,561,348
Board's covered payroll	15,534,757	13,647,786	13,109,590	12,174,321	11,879,220	11,484,973
Board's proportion of the net OPEB liability as a percentage of its covered payroll	71.13%	74.69%	94.09%	66.63%	71.88%	83.25%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

* The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

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

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

SCHEDULE OF THE BOARD'S OPEB CONTRIBUTIONS

JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 938,839	$ 897,909	$ 649,635	$ 625,500	$ 641,867	$ 561,011
Contributions in relation to the statutorily required contributions	(938,839)	(897,909)	(649,635)	(625,500)	(641,867)	(561,011)
Annual contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Board's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%
Board's covered payroll	$ 15,942,715	$ 15,534,757	$ 13,647,786	$ 13,109,590	$ 12,174,321	$ 11,879,220
Contributions as a percentage of its covered payroll	5.89%	5.78%	4.76%	4.77%	5.27%	4.72%

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

Changes in Assumptions and Benefit Terms:

2022: Since the prior measurement date, there have been no material changes in actuarial assumptions.

2021: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

For healthy retired members and beneficiaries, the mortality table used is the 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

See report of independent auditors.

2020: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2020 legislative session, Senate Bill 249 was enacted, which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total liability but has an impact on the calculation of the contribution rates that would be payable starting July 1, 2020. There are no other material plan provision changes.

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Payroll growth assumption was increased from 3.05% to 3.30%.
- Payroll growth assumption was set at 2.00%.

2018: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Salary increase assumption was reduced from 4.00% to 3.05%.

SUPPLEMENTARY INFORMATION

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

COMBINING STATEMENT OF NET POSITION – ELECTRIC, WATER, TELECOMMUNICATIONS

JUNE 30, 2023

	Electric & Water	Telecom	Total
Assets			
Current assets			
Unrestricted cash and cash equivalents	$ 6,492,936	$ 888,737	$ 7,381,673
Accounts receivable, net	10,002,661	2,228,790	12,231,451
Inventory, net	3,954,288	2,592,584	6,546,872
Unrestricted investments	12,009,845	7,465,051	19,474,896
Restricted investments	392,000	-0-	392,000
Prepaid expenses	546,748	296,330	843,078
Total current assets	33,398,478	13,471,492	46,869,970
Noncurrent assets			
Restricted cash reserves	364,044	14,523	378,567
Intercompany loan receivable	12,357,824	-0-	12,357,824
Depreciable capital assets, net of accumulated depreciation	79,998,342	35,640,518	115,638,860
Capital assets not being depreciated	19,750,226	4,464,736	24,214,962
Subscription assets	264,660	103,151	367,811
Total noncurrent assets	112,735,096	40,222,928	152,958,024
Total assets	146,133,574	53,694,420	199,827,994
Deferred Outflows of Resources			
Deferred amounts from pension	4,299,022	2,527,317	6,826,339
Deferred amounts from other postemployment benefits	3,174,342	1,881,652	5,055,994
Total deferred outflows of resources	7,473,364	4,408,969	11,882,333
Total assets and deferred outflows of resources	$ 153,606,938	$ 58,103,389	$ 211,710,327
Liabilities and Net Position			
Current Liabilities			
Accounts payable and accrued expenses	$ 8,181,253	$ 1,638,160	$ 9,819,413
Customer deposits	1,977,004	1,489,352	3,466,356
Unearned revenues	185,993	2,162,677	2,348,670
Current portion of subscription liabilities	37,123	14,437	51,560
Bonds and leases payable due in one year	440,870	750,000	1,190,870
Total current liabilities	10,822,243	6,054,626	16,876,869
Long-term liabilities			
Net pension liability	25,560,139	14,921,035	40,481,174
Net OPEB liability	6,954,939	4,094,645	11,049,584
Intercompany loan payable	-0-	12,357,824	12,357,824
Subscription liabilities	130,902	50,907	181,809
Bonds and leases payable	-0-	4,125,000	4,125,000
Total long-term liabilities	32,645,980	35,549,411	68,195,391
Total liabilities	43,468,223	41,604,037	85,072,260
Deferred Inflows of Resources			
Deferred amounts from pension	218,497	142,005	360,502
Deferred amounts from other postemployment benefits	2,529,002	1,449,767	3,978,769
Total deferred inflows of resources	2,747,499	1,591,772	4,339,271
Total liabilities and deferred inflows of resources	46,215,722	43,195,809	89,411,531
Net Position			
Net investment in capital assets	$ 99,307,698	$ 35,230,254	$ 134,537,952
Restricted for debt retirement	649,950	-0-	649,950
Unrestricted (deficit)	7,433,568	(20,322,674)	(12,889,106)
Total net position	107,391,216	14,907,580	122,298,796
Total liabilities, deferred inflows of resources, and net position	$ 153,606,938	$ 58,103,389	$ 211,710,327

See report of independent auditors.

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Electric	$ 60,644,028	$ 62,560,337	$ 1,916,309
Water	11,684,878	12,812,683	1,127,805
Telecommunications	29,513,172	28,670,224	(842,948)
Total operating revenues	101,842,078	104,043,244	2,201,166
Operating Expenses			
Electric	57,874,950	59,741,233	(1,866,283)
Water	12,086,531	11,556,732	529,799
Telecommunications	28,707,243	27,712,192	995,051
Total operating expenses	98,668,724	99,010,157	(341,433)
Income from operations	3,173,354	5,033,087	1,859,733
Non-operating Revenues (Expenses)			
Other revenue	644,047	679,211	35,164
Interest revenue	300,101	475,477	175,376
Interest expense	(203,237)	(263,450)	(60,213)
Gain on sale of capital assets	-0-	53,422	53,422
Total non-operating revenues	740,911	944,660	203,749
Income before capital contributions	3,914,265	5,977,747	2,063,482
Capital contributions	4,040,192	405,067	(3,635,125)
Change in net position	7,954,457	6,382,814	(1,571,643)
Net position - beginning of year	115,915,982	115,915,982	-0-
Net position - end of year	$ 123,870,439	$ 122,298,796	$ (1,571,643)

See report of independent auditors.

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ELECTRIC, WATER, TELECOMMUNICATIONS
YEAR ENDED JUNE 30, 2023

	Electric	Water	Telecommunications	Total
Operating Revenues	$ 62,560,337	$ 12,812,683	$ 28,670,224	$ 104,043,244
Operating Expenses	(59,741,233)	(11,556,732)	(27,712,192)	(99,010,157)
Income from operations	2,819,104	1,255,951	958,032	5,033,087
Non-operating Revenues (Expenses)				
Other revenue	642,036	10,837	26,338	679,211
Interest revenue	277,376	63,264	134,837	475,477
Interest expense	(32,187)	(43,776)	(187,487)	(263,450)
Gain on sale of fixed assets	21,847	17,343	14,232	53,422
Total non-operating revenues	909,072	47,668	(12,080)	944,660
Income before contributions	3,728,176	1,303,619	945,952	5,977,747
Capital contributions	129,087	244,524	31,456	405,067
Change in net position	3,857,263	1,548,143	977,408	6,382,814
Net position - beginning of year	69,269,153	32,716,657	13,930,172	115,915,982
Net position - end of year	$ 73,126,416	$ 34,264,800	$ 14,907,580	$ 122,298,796

See report of independent auditors.

ELECTRIC & WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

SCHEDULE OF OPERATING EXPENSES – BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2023

	Budgeted	Actual	Variable Favorable (Unfavorable)
Electric Division			
Electricity purchased	$ 41,009,429	$ 43,052,946	$ (2,043,517)
Operating	9,938,283	9,985,200	(46,917)
General and administrative	2,824,340	2,831,628	(7,288)
Board of directors	56,202	50,766	5,436
Customer service	799,255	811,359	(12,104)
Finance	432,232	416,280	15,952
Fleet services	264,901	280,032	(15,131)
Human resources	142,527	129,501	13,026
Information technology	557,545	437,891	119,654
Meter reading	395,338	302,734	92,604
Safety	83,198	76,473	6,725
Support services	869,270	824,264	45,006
Network Operations Center	502,430	542,159	(39,729)
Total operating expenses-Electric Division	$ 57,874,950	$ 59,741,233	$ (1,866,283)
Water Division			
Water treatment	$ 2,626,801	$ 2,581,037	$ 45,764
Water Distribution	4,895,446	5,301,120	(405,674)
Operating	1,498,907	767,508	731,399
General and administrative	555,078	556,511	(1,433)
Board of directors	11,046	9,977	1,069
Customer service	604,511	613,666	(9,155)
Finance	84,948	81,813	3,135
Fleet services	215,543	227,854	(12,311)
Human resources	157,543	143,145	14,398
Information technology	488,278	383,489	104,789
Meter reading	305,616	234,029	71,587
Safety	91,963	84,529	7,434
Support services	170,841	161,996	8,845
Network Operations Center	380,010	410,058	(30,048)
Total operating expenses-Water Division	$ 12,086,531	$ 11,556,732	$ 529,799
Telecommunications Division			
Operating	$ 23,916,442	$ 23,189,819	$ 726,623
General and administrative	1,372,963	1,376,506	(3,543)
Board of directors	27,321	24,678	2,643
Customer service	665,770	675,852	(10,082)
Finance	210,116	202,361	7,755
Fleet services	133,463	141,087	(7,624)
Human resources	198,799	180,631	18,168
Information technology	1,225,237	962,291	262,946
Safety	116,046	106,665	9,381
Support services	422,568	400,690	21,878
Network Operations Center	418,518	451,612	(33,094)
Total operating expense-Telecommunications Division	$ 28,707,243	$ 27,712,192	$ 995,051

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CPAs / ADVISORS

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REPORT OF INDEPENDENT AUDITORS 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*

Members of the Electric & Water Plant Board
of the City of Frankfort, Kentucky
Frankfort, 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 business-type activities of the Electric & Water Plant Board (the "Board") of the City of Frankfort, Kentucky as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*.

Purpose of this Report

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

Blue & Co., LLC

Lexington, Kentucky
December 11, 2023