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

FINANCIAL STATEMENTS
JUNE 30, 2022

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

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CPAs / ADVISORS

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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, 2022, 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

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, 2021, 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 16, 2022, 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
November 16, 2022

The following discussion and analysis of the Electric & Water Plant Board (the "Board") of the Cityof Frankfort, Kentucky's financial performance provides an overview of the financial activities of the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented herein 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 $10,950,877 during fiscal year 2022 compared to an increase of $8,124,413 during fiscal year 2021.
- The Board entered into a defease agreement to redeem, pay, and discharge the Electric and Water Revenue Bond Series 2015A.
- The Board paid off two Kentucky Infrastructure Authority (KIA) loans – chemical feed and KIA loan – generator in the principal amount of $3,707,561 and $1,894,555, respectively.
- The Board paid off the FSN consolidated lease in the principal amount of $1,512,506.

Revenues

- Total operating revenues were $100,068,609 for fiscal year 2022 compared to $98,960,693 for fiscal year 2021.

Expenses

- Operating expenses were $89,974,601 for fiscal year 2022 compared to $91,641,669 for fiscal year 2021.

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 2022. 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 2022 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, 2022	June 30, 2021	Change	%Change
Current and other assets	$ 49,057,834	$ 70,084,367	$ (21,026,533)	-30.00%
Capital assets, net	129,780,858	118,569,948	11,210,910	9.46%
Total assets	178,838,692	188,654,315	(9,815,623)	-5.20%
Deferred outflows of resources	12,062,809	13,480,799	(1,417,990)	-10.52%
Total assets and deferred outflows	190,901,501	202,135,114	(11,233,613)	-5.56%
Current liabilities	16,009,013	18,738,330	(2,729,317)	-14.57%
Long-term Liabilities	49,463,369	76,339,647	(26,876,278)	-35.21%
Total liabilities	65,472,382	95,077,977	(29,605,595)	-31.14%
Deferred inflows of resources	9,513,137	2,092,032	7,421,105	354.73%
Total liabilities and deferred inflows	74,985,519	97,170,009	(22,184,490)	-22.83%
Net investment in capital assets	123,281,508	90,122,952	33,158,556	36.79%
Restricted	607,000	2,007,994	(1,400,994)	-69.77%
Unrestricted	(7,972,526)	12,834,159	(20,806,685)	-162.12%
Total net position	$ 115,915,982	$ 104,965,105	$ 10,950,877	10.43%

<u>Assets and Deferred Outflows of Resources</u>

The Board's total assets and deferred outflows of resources decreased $11,233,613 from fiscal year 2021. The statement of net position indicates the most significant change was in cash. Cash decreased primarily due to the defeasance of the 2015A Electric & Water Revenue bonds and paying off two KIA loans. Capital assets were higher due to three large projects in construction (Advanced Metering System, Reservoir Replacement, and Fiber To The Home).

Liabilities and Deferred Inflows of Resources

The Board's total liabilities and deferred inflows of resources decreased by $22,184,490 from fiscal year 2021 due primarily to a decrease in long-term debt.

Net Position

The Board's assets and deferred outflows exceeded its liabilities and deferred inflows by $115,915,982 at the end of fiscal year 2022. This represents an increase of $10,950,877 from fiscal year 2021.

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, 2022	June 30, 2021	Change	% Change
Operating revenues	$ 100,068,609	$ 98,960,693	$ 1,107,916	1.12%
Operating expenses	89,974,601	91,641,669	(1,667,068)	-1.82%
Income from operations	10,094,008	7,319,024	2,774,984	37.91%
Net non-operating revenue	306	46,657	(46,351)	-99.34%
Income before capital contributions	10,094,314	7,365,681	2,728,633	37.05%
Capital contributions	856,563	758,732	97,831	12.89%
Change in net position	$ 10,950,877	$ 8,124,413	$ 2,826,464	34.79%

Revenues

Operating revenues in 2022 increased by $1,107,916 or 1.12% compared to operating revenues in 2021 of $98,960,693. This minimal increase in revenue is primarily due to an increase in electric revenue from higher customer usage.

Expenses

Operating expenses decreased in 2022 compared to 2021 by $1,667,068 or 1.82% to $89,974,601. This minimal decrease in operating expenses is primarily due to a reduction of $2,126,083 in pension expense.

Non-operating revenues (expenses) ended the year with a net revenue of $306, which was a decrease over the prior year's net revenue of $46,657. This decrease is primarily due to a reduction in interest income from certificates of deposit as a significant portion of these investments were liquidated to defease the 2015A Revenue Bonds and pay off the KIA loans at the beginning of the fiscal year and a loss from debt extinguishment of $474,726, which together exceeded the savings in interest expense during the fiscal year.

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, 2022.

CAPITAL ASSETS

The Board's investments in capital assets, net of accumulated depreciation, amounted to $129,780,858 as of June 30, 2022 and $118,569,948 as of June 30, 2021. This includes investment in electric, water, and telecommunications plant infrastructure, as well as general items such as office equipment, vehicles, etc. See Note 4 for additional information on capital assets. The following is a summary of capital assets activity during the fiscal year ending June 30, 2022:

	June 30, 2021	Additions and Transfers	Transfers and Retirements	June 30, 2022
Capital assets	$ 273,538,933	$ 7,696,692	$ (1,203,093)	$ 280,032,532
Accumulated depreciation	(161,796,588)	(7,501,729)	1,192,833	(168,105,484)
Non-depreciable capital assets	6,827,603	18,755,325	(7,729,118)	17,853,810
Capital assets, net	$ 118,569,948	$ 18,950,288	$ (7,739,378)	$ 129,780,858

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, 2022, and 2021, the Board had long-term bonds outstanding in the amount of $874,350 and $14,957,374, respectively, including the unamortized bond premiums associated with these bonds. 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 to defease the bonds. The 2013 Electric and Water Revenue Bonds Series with a year-end balance of $874,350 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, 2022, the outstanding balances were $5,625,000 for the FSN third-lien lease. As of June 30, 2021, the outstanding balances were $1,512,506 for the FSN consolidated lease and $6,375,000 for the FSN third-lien lease.

The Board paid off the two outstanding loans from the KIA during the fiscal year. As of June 30, 2021, the chemical feed process upgrade loan had a balance of $3,707,561 and the generator loan had a balance of $1,894,555.

The following is a summary of bonds (including unamortized bond premium), leases, and KIA loans payable activity for the year ended June 30, 2022:

Debt Description	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Bonds and leases payable	$ 22,844,880	$ -0-	$ (16,345,530)	$ 6,499,350	$ 1,183,480
KIA loans	5,602,116	-0-	(5,602,116)	-0-	-0-
Total	$ 28,446,996	$ -0-	$ (21,947,646)	$ 6,499,350	$ 1,183,480

There is a full summary of all of the Board's revenue bonds, loans and lease obligations located in Note 5 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 will continue the implementation of our AMI project, which will span 2-3 years. System deployment has begun so, during fiscal year 2023, 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 2023
- Continue to replace aging subsystems at the water treatment plant
- Continue implementation of the AMI project during fiscal year 2023

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 2023, 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.

COVID-19

As a provider of critical infrastructure and essential services, the Board plans for many different potential hazards and emergencies. In mid-March 2020 as the COVID-19 pandemic began to impact all aspects of life, the Board implemented plans that would allow us to provide all the critical services we supply to our customer-owners while keeping employees and our community safe. While we were impacted by government mandated suspensions of service disconnections for non-payment and waived late fees to assist customers during this extraordinary health and financial event, the Board has weathered this pandemic relatively unharmed. The Board's resiliency, professionalism, and commitment to our customer-owners has proven to be stellar during this pandemic. The government mandates have been lifted; therefore, the Board is operating under pre-pandemic policies and procedures with the exception of extended payment plans for our customer-owners to assist them with paying their past due balances. Many of our customer-owners continue to receive aid from various federal, state, and local government agencies to assist with their past due balances as well which has resulted in minimal bad debt expense for fiscal year 2022.

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, 2022

(With Summarized Financial Information as of June 30, 2021)

Assets	2022	2021
Current assets		
Unrestricted cash and cash equivalents	$ 20,293,272	$ 23,317,150
Accounts receivable, net	13,652,852	12,809,744
Inventory, net	5,434,362	4,783,801
Unrestricted investments	8,196,706	26,512,822
Restricted investments	392,000	1,556,900
Prepaid expenses	873,642	652,856
Total current assets	48,842,834	69,633,273
Noncurrent assets		
Restricted cash reserves	215,000	451,094
Depreciable capital assets, net of accumulated depreciation	111,927,048	111,742,345
Capital assets not being depreciated	17,853,810	6,827,603
Total noncurrent assets	129,995,858	119,021,042
Total assets	178,838,692	188,654,315
Deferred Outflows of Resources		
Deferred amounts from pension	5,932,518	7,512,561
Deferred amounts from other postemployment benefits	6,130,291	5,968,238
Total deferred outflows of resources	12,062,809	13,480,799
Total assets and deferred outflows of resources	$ 190,901,501	$ 202,135,114
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 9,203,154	$ 9,797,563
Customer deposits	3,256,267	3,203,836
Unearned revenues	2,366,112	2,104,112
Bonds and leases payable due in one year	1,183,480	3,180,356
KIA notes payable due in one year	-0-	452,463
Total current liabilities	16,009,013	18,738,330
Long-term liabilities		
Net pension liability	33,954,431	39,190,745
Net OPEB liability	10,193,068	12,334,725
Long-term debt		
Bonds and leases payable	5,315,870	19,664,524
KIA notes payable	-0-	5,149,653
Total long-term liabilities	49,463,369	76,339,647
Total liabilities	65,472,382	95,077,977
Deferred Inflows of Resources		
Deferred amounts from pension	4,855,106	-0-
Deferred amounts from other postemployment benefits	4,658,031	2,092,032
Total deferred inflows of resources	9,513,137	2,092,032
Total liabilities and deferred inflows of resources	74,985,519	97,170,009
Net Position		
Net investment in capital assets	123,281,508	90,122,952
Restricted for debt retirement	607,000	1,780,494
Restricted for KIA loan covenant	-0-	227,500
Total restricted net position	607,000	2,007,994
Unrestricted	(7,972,526)	12,834,159
Total net position	115,915,982	104,965,105
Total liabilities, deferred inflows of resources and net position	$ 190,901,501	$ 202,135,114

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, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022	2021
Operating Revenues		
Electric	$ 59,797,731	$ 58,743,483
Water	11,638,032	11,431,476
Telecommunications	28,632,846	28,785,734
Total operating revenues	100,068,609	98,960,693
Operating expenses		
Electric	52,335,177	52,630,049
Water	11,094,860	11,427,200
Telecommunications	26,544,564	27,584,420
Total operating expenses	89,974,601	91,641,669
Income from operations	10,094,008	7,319,024
Non-operating revenues (expenses)		
Other revenue	700,517	791,386
Interest expense	(289,430)	(925,172)
Gain on sale of capital assets	63,945	180,443
Loss on debt extinguishment	(474,726)	-0-
Total non-operating revenues (expenses)	306	46,657
Income before capital contributions	10,094,314	7,365,681
Capital contributions	856,563	758,732
Change in net position	10,950,877	8,124,413
Net position beginning of year	104,965,105	96,840,692
Net position end of year	$ 115,915,982	$ 104,965,105

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, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022	2021
Cash Flows From Operating Activities		
Cash received from users and customers	$ 100,572,627	$ 98,857,120
Cash payments to and on behalf of employees for services and benefits	(23,716,923)	(25,015,487)
Cash payments to suppliers of goods and services	(59,388,503)	(54,142,890)
Net cash provided by operating activities	17,467,201	19,698,743
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(18,180,755)	(10,009,826)
Proceeds from sale of capital assets	36,697	232,936
Payment to irrevocable trust for 2015A bond defeasance	(14,098,063)	-0-
Principal paid on debt obligations	(8,279,622)	(4,037,120)
Interest paid on debt obligations	(336,475)	(928,175)
Net cash used by capital and related financing activities	(40,858,218)	(14,742,185)
Cash Flows from Noncapital Financing Activities		
Cash received from other non-operating revenues	599,094	596,150
Cash Flows from Investing Activities		
Receipt of interest	50,935	279,900
Purchase of investments	(15,785,056)	(28,243,019)
Sale of investments	35,266,072	32,607,790
Net cash provided by investment activities	19,531,951	4,644,671
Net change in cash and cash equivalents	(3,259,972)	10,197,379
Cash and cash equivalents, beginning of year	23,768,244	13,570,865
Cash and Cash Equivalents, End of Year	$ 20,508,272	$ 23,768,244
Reconcilement of Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	$ 20,293,272	$ 23,317,150
Restricted cash and cash equivalents	215,000	451,094
Cash and cash equivalents, end of year	$ 20,508,272	$ 23,768,244
Reconcilement of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 10,094,008	$ 7,319,024
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,501,729	7,454,311
Bad debts	(106,769)	428,179
Inventory reserve	142,592	313,673
Change in assets and liabilities:		
Accounts receivable	(90,532)	(693,819)
Inventory	(793,153)	(1,089,937)
Prepaid expenses	(220,786)	(68,246)
Accounts payable and accrued expenses	(835,443)	1,157,382
Customer deposits	52,431	120,776
Unearned revenue	262,000	41,291
Net pension liability	(5,236,314)	5,269,949
Net OPEB liability	(2,141,657)	4,223,245
Deferred outflows and deferred inflows of resources-pension	6,435,149	(1,288,923)
Deferred outflows and deferred inflows of resources-OPEB	2,403,946	(3,488,162)
Net cash provided by operating activities	$ 17,467,201	$ 19,698,743
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Contributed capital assets	$ 254,063	$ 758,732
Capital asset acquisitions in accounts payable and accrued expenses	$ 582,462	$ 294,383

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, 2021, 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, 2022, 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, 2022:

Billed user fees, net	$	7,989,337
Unbilled user fees		4,860,217
Other		803,298
Accounts receivable, net	$	13,652,852

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, 2022 was $249,800.

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, 2022.

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. 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.

Recently GASB Pronouncements
Management has not currently determined what, if any, effects of implementation of the following statement may have on the financial statements:

In May 2020, the GASB issued GASB Statement No 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which requires the recognition of certain SBITA assets and liabilities for SBITA that previously were classified as an operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. The standards for SBITAs are based on the standards established in Statement No. 87, *Leases*. GASB Statement No 96 will be effective for the periods beginning after June 15, 2022.

NOTE 3 – INVESTMENTS

Investments of the Board are all invested in non-negotiable certificates of deposit with maturity dates ranging from August 2022 to November 2022. 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, 2022, the board has $9,000 of uninsured and uncollateralized cash.

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2022:

	June 30, 2021	Additions and Transfers	Transfers and Retirements	June 30, 2022
Capital assets not being depreciated				
Land	$ 584,030	$ -0-	$ -0-	$ 584,030
Construction in progress	6,243,573	18,755,325	(7,729,118)	17,269,780
Total capital assets not being depreciated	6,827,603	18,755,325	(7,729,118)	17,853,810
Capital assets				
Structures and improvements	41,691,982	105,893	-	41,797,875
Plant infrastructure	166,055,944	4,962,317	(9,351)	171,008,910
Plant equipment	39,649,233	1,688,545	-	41,337,778
Transport equipment	7,442,863	609,410	(726,609)	7,325,664
Power operated equipment	3,373,745	-0-	(466,485)	2,907,260
Lab equipment	65,151	-0-	-	65,151
Furniture and fixtures	7,860,810	32,705	-	7,893,515
Garage equipment	408,631	-0-	-	408,631
Computer equipment	3,907,987	155,139	-	4,063,126
Communications equipment	564,003	1,318	-	565,321
Miscellaneous equipment	2,518,584	141,365	(648)	2,659,301
Total depreciable capital assets	273,538,933	7,696,692	(1,203,093)	280,032,532
Total capital assets	280,366,536	26,452,017	(8,932,211)	297,886,342
Accumulated depreciation				
Structures and improvements	11,572,020	1,172,314	(615)	12,743,719
Plant infrastructure	105,796,589	4,283,871	-	110,080,460
Plant equipment	23,720,555	959,141	-	24,679,696
Transport equipment	4,385,166	545,809	(725,085)	4,205,890
Power operated equipment	3,063,403	68,579	(466,485)	2,665,497
Lab equipment	64,771	951	-	65,722
Furniture and fixtures	7,393,600	92,771	-	7,486,371
Garage equipment	385,065	4,079	-	389,144
Computer equipment	3,434,492	187,134	-	3,621,626
Communications equipment	463,562	21,442	-	485,004
Miscellaneous equipment	1,517,365	165,638	(648)	1,682,355
Total accumulated depreciation	161,796,588	7,501,729	(1,192,833)	168,105,484
Total depreciable capital assets, net of accumulated depreciation	111,742,345	194,963	(10,260)	111,927,048
Net capital assets	$ 118,569,948	$ 18,950,288	$ (7,739,378)	$ 129,780,858

The Board has several projects under construction at June 30 2022. A summary of construction in progress is below:

Division	Description		FY 2022
Water	New reservoir design & construction	$	6,228,292
Electric	AMI engineering/procurement/implementation		2,991,533
Water	AMI engineering/procurement/implementation		1,725,943
Electric	Transformer Replacement		1,506,468
Telecommunications	Fiber-to-the-Home (FTTH)		1,325,632
Water	Reservoir Tanglewood side 36 & 20 Inch Dip		512,259
Electric	Second St Tiger Grant Electric Relocation		488,870
Water	2nd Street Water Line Replacement		425,646
Electric	Main 3 Myrick		424,330
WTP	SCADA Upgrade		308,411
Electric	Projects < $100K		306,684
Electric	Replace T54		297,504
WTP	Ammonia & Sulfuric Project		271,634
Telecommunications	New Off-Air Tower		191,652
Water	Projects < $100K		134,015
Administration	Projects < $100K		74,248
Telecommunications	Projects < $100K		56,659
	Total	$	17,269,780

The estimated cost to complete construction projects under contract was approximately $8,291,631 at June 30, 2022 over the next three to five years.

NOTE 5 – 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	2.00% - 3.50%	12/1/2023	$	870,000
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		5,625,000
Total Bond Premiums							4,350
						$	6,499,350

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, 2022, the Board reported being in compliance with the debt covenants and reporting requirements.

Bonds, leases and KIA payable activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Bonds and Leases payable					
FSN Consolidated Lease	$ 1,512,506	$ -0-	$ (1,512,506)	$ -0-	$ -0-
2013 Electric & Water Bonds	1,285,000	-0-	(415,000)	870,000	430,000
2015 Electric & Water Bonds	12,840,000	-0-	(12,840,000)	-0-	-0-
FSN Third Lien Lease	6,375,000	-0-	(750,000)	5,625,000	750,000
Total bonds and leases payable	22,012,506	-0-	(15,517,506)	6,495,000	1,180,000
Bond Premiums	832,374	-0-	(828,024)	4,350	3,480
	$ 22,844,880	$ -0-	$ (16,345,530)	$ 6,499,350	$ 1,183,480
Direct Borrowings and Direct Placements					
KIA Loan-chemical feed	$ 3,707,561	$ -0-	$ (3,707,561)	$ -0-	$ -0-
KIA Loan-generator	1,894,555	-0-	(1,894,555)	-0-	-0-
	$ 5,602,116	$ -0-	$ (5,602,116)	$ -0-	$ -0-

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, 2022, the amount of defeased debt outstanding is $12,370,000.

The Board paid off the two outstanding loans from the KIA during the fiscal year. As of June 30, 2021, the chemical feed process upgrade loan had a balance of $3,707,561 and the generator loan had a balance of $1,894,555.

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

	Principal	Interest	Total
2023	$ 1,180,000	$ 183,238	$ 1,363,238
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
2028-2032	1,875,000	77,344	1,952,344
Total	$ 6,495,000	$ 684,534	$ 7,179,534

NOTE 6 – 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 $75,000 per employee per year, plus an additional liability corridor of $75,000. 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 upas 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, 2022 and 2021, the Board had the following activity related to the future health insurance claims:

	Future Health Insurance Claims
Liability at July 1, 2020	$ 194,700
Claims and changes in estimates in fiscal year 2021	3,030,587
Claims Paid in FY 2021	(2,893,963)
Liability at June 30, 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 have not exceeded coverage for the last three years.

NOTE 7 – 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 County Employee Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority (KPPA), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the KRS Board) of KPPA administers CERS, 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 plan, and a pro rata share of administrative costs.

The 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 61.701, the Board of KPPA also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KPPA. The assets of the insurance fund are invested as a whole. KPPA and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

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 and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS Non-Hazardous. 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 final average 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 CERS-Non-Hazardous. 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 KRS Board based on an annual valuation last preceding July 1 of a new biennium. The KRS 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 KRS Board.

For the fiscal year ended June 30, 2022, participating employers contributed 26.95% (21.17% allocated to pension and 5.78% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS 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, 2022. Total current year contributions recognized by the Plan were $4,186,618 ($3,288,709 related to pension and $897,909 related to OPEB) for the year ended June 30, 2022. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $335,394.

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 KRS 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 KRS 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

Total Pension Liability: 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 non-hazardous system, and the Pub-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 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 June 30, 2021, 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, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. Senate Bill 249 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 a separate 20-year amortization bases. This change does not impact the calculations of the total OPEB liability and only impacts the calculation of the contributions rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

(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 non-hazardous 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
US Equity	16.25%	5.70%
Non-US Equity	16.25	6.35
Private Equity	7.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	20.50	0.00
Cash	5.00	-0.60
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees 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, 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%)
Net pension Liability nonhazardous	$ 43,548,169	$ 33,954,431	$ 26,015,838

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 $33,954,431, or approximately 0.53%. The net pension liability was distributed based on 2021 actual employer contributions to the plan.

Measurement Date: June 30, 2021, is the actuarial valuation date and measurement date 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 $4,478,859 related to the CERS 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 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 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	$ 389,901	$ 329,550
Change of assumptions	455,709	-0-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	1,798,200	-0-
Net differences between expected and actual investment earning on plan investments	-0-	4,525,556
Contributions subsequent to the measurement date	3,288,708	-0-
Total	$ 5,932,518	$ 4,855,106

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $3,288,708 will be recognized as a reduction of net pension 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:		
2023	$	656,731
2024		(469,963)
2025		(980,895)
2026		(1,417,169)
	$	(2,211,296)

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, 2019, 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 6.30 percent at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 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 June 30, 2019 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 5.20%, which decreased from the 5.34% 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, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. Senate Bill 249 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 a separate 20-year amortization bases. This change does not impact the calculations of Total OPEB liability and only impacts the calculation of the contributions rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

(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 1.92% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2021.

(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
US Equity	21.75%	5.70%
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	10.00	0.00
Cash	1.50	-0.60
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees 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 5.20% 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate for non-hazardous:

	1% decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Net OPEB liability	$ 13,995,005	$ 10,193,068	$ 7,072,948

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 non-hazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 7,337,797	$ 10,193,068	$ 13,639,424

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 $10,193,068, or approximately 0.53%. The net OPEB liability was distributed based on 2021 actual employer contributions to the plan.

Measurement Date: June 30, 2021, is the actuarial valuation date and measurement date 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 OPEB liability and the employer's reporting date.

OPEB Expense: The Board was allocated OPEB expense of $1,492,111 related to the CERS 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	$ 1,602,863	$ 3,043,310
Change of assumptions	2,702,376	9,478
Changes in proportion and differences between employer contributions and proportionate shares of contributions	591,748	10,679
Net differences between expected and actual investment earning on plan investments	-0-	1,594,564
Contributions subsequent to the measurement date	1,233,304	-0-
Total	$ 6,130,291	$ 4,658,031

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $897,910, which includes the implicit subsidy reported of $335,394, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. 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:	
2023	$ 430,733
2024	188,153
2025	149,994
2026	(529,924)
	$ 238,956

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 8 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability	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	$ 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	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	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	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.

See report of independent auditors.

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

SCHEDULE OF THE BOARD'S PENSION CONTRIBUTIONS
JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 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	(3,288,708)	(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-
Board's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%	100%
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
Contributions as a percentage of its covered payroll	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:

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, 2022

	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability	0.53%	0.51%	0.48%	0.48%	0.48%
Board's proportionate share of the net OPEB liability	$ 10,193,068	$ 12,334,725	$ 8,111,480	$ 8,538,923	$ 9,561,348
Board's covered payroll	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	74.69%	94.09%	66.63%	71.88%	83.25%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

SCHEDULE OF THE BOARD'S OPEB CONTRIBUTIONS

JUNE 30, 2022

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

<u>Changes in Assumptions and Benefit Terms</u>:

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 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, 2022

	Electric & Water	Telecom	Total
Assets			
Current assets			
Unrestricted cash and cash equivalents	$ 20,293,272	$ -0-	$ 20,293,272
Accounts receivable, net	11,065,224	2,587,628	13,652,852
Inventory, net	3,435,396	1,998,966	5,434,362
Unrestricted investments	7,140,025	1,056,681	8,196,706
Restricted investments	392,000	-0-	392,000
Prepaid expenses	575,660	297,982	873,642
Total current assets	42,901,577	5,941,257	48,842,834
Noncurrent assets			
Restricted cash reserves	215,000	-0-	215,000
Depreciable capital assets, net of accumulated depreciation	79,227,286	32,699,762	111,927,048
Capital assets not being depreciated	16,206,625	1,647,185	17,853,810
Total noncurrent assets	95,648,911	34,346,947	129,995,858
Total assets	138,550,488	40,288,204	178,838,692
Deferred Outflows of Resources			
Deferred Outflow KRS Pension	3,698,375	2,234,143	5,932,518
Deferred Outflow KRS OPEB	3,842,810	2,287,481	6,130,291
Total deferred outflows	7,541,185	4,521,624	12,062,809
Total assets and deferred outflows of resources	$ 146,091,673	$ 44,809,828	$ 190,901,501
Liabilities and Net Position			
Current Liabilities			
Accounts payable and accrued expenses	$ 7,618,154	$ 1,585,000	$ 9,203,154
Customer deposits	1,793,159	1,463,108	3,256,267
Unearned revenues	198,903	2,167,209	2,366,112
Bonds and leases payable due in one year	433,480	750,000	1,183,480
Total current liabilities	10,043,696	5,965,317	16,009,013
Long-term liabilities			
Net pension liability	21,212,285	12,742,146	33,954,431
Net OPEB liability	6,361,184	3,831,884	10,193,068
Long-term debt			
Bonds and leases payable	440,870	4,875,000	5,315,870
Total long-term liabilities	28,014,339	21,449,030	49,463,369
Total liabilities	38,058,035	27,414,347	65,472,382
Deferred Inflows of Resources			
Deferred amounts from pension	3,099,135	1,755,971	4,855,106
Deferred amounts from OPEB	2,948,693	1,709,338	4,658,031
Total deferred inflows	6,047,828	3,465,309	9,513,137
Total liabilities and deferred inflows of resources	44,105,863	30,879,656	74,985,519
Net Position			
Net investment in capital assets	$ 94,559,561	$ 28,721,947	$ 123,281,508
Restricted for debt retirement	607,000	-0-	607,000
Unrestricted (deficit)	6,819,249	(14,791,775)	(7,972,526)
Total net position	101,985,810	13,930,172	115,915,982
Total liabilities, deferred inflows of resources, and net position	$ 146,091,673	$ 44,809,828	$ 190,901,501

See report of independent auditors.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Electric	$ 59,429,806	$ 59,797,731	$ 367,925
Water	11,846,326	11,638,032	(208,294)
Telecommunications	29,285,369	28,632,846	(652,523)
Total operating revenues	100,561,501	100,068,609	(492,892)
Operating Expenses			
Electric	53,579,909	52,335,177	1,244,732
Water	11,969,852	11,094,860	874,992
Telecommunications	28,685,052	26,544,564	2,140,488
Total operating expenses	94,234,813	89,974,601	4,260,212
Income from operations	6,326,688	10,094,008	(4,753,104)
Non-operating Revenues (Expenses)			
Other revenue	1,590,720	700,517	(890,203)
Interest expense	(531,807)	(289,430)	242,377
Gain on sale of fixed assets	-0-	63,945	63,945
Loss on debt extinguishment	-0-	(474,726)	(474,726)
Total non-operating revenues	1,058,913	306	(1,058,607)
Income before contributions	7,385,601	10,094,314	(5,811,711)
Capital contributions	906,500	856,563	(49,937)
Change in net position	8,292,101	10,950,877	(5,861,648)
Net position - beginning of year	96,840,692	104,965,105	(8,124,413)
Net position - end of year	$ 105,132,793	$ 115,915,982	$ 10,783,189

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, 2022

	Electric	Water	Telecommunications	Total
Operating Revenues				
Electric	$ 59,797,731	$ -0-	$ -0-	$ 59,797,731
Water	-0-	11,638,032	-0-	11,638,032
Telecommunications	-0-	-0-	28,632,846	28,632,846
Total operating revenues	59,797,731	11,638,032	28,632,846	100,068,609
Operating Expenses				
Electric	52,335,177	-0-	-0-	52,335,177
Water	-0-	11,094,860	-0-	11,094,860
Telecommunications	-0-	-0-	26,544,564	26,544,564
Total operating expenses	52,335,177	11,094,860	26,544,564	89,974,601
Income from operations	7,462,554	543,172	2,088,282	10,094,008
Non-operating Revenues (Expenses)				
Other revenue	370,223	155,288	175,006	700,517
Interest expense	(37,902)	(41,826)	(209,702)	(289,430)
Gain on sale of fixed assets	71,982	(8,722)	685	63,945
Loss on debt extinguishment	(187,486)	(135,188)	(152,052)	(474,726)
Total non-operating revenues	216,817	(30,448)	(186,063)	306
Income before contributions	7,679,371	512,724	1,902,219	10,094,314
Capital contributions	735,296	102,127	19,140	856,563
Change in net position	8,414,667	614,851	1,921,359	10,950,877
Net position - beginning of year	60,854,486	32,101,806	12,008,813	104,965,105
Net position - end of year	$ 69,269,153	$ 32,716,657	$ 13,930,172	$ 115,915,982

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, 2022

	Budgeted	Actual	Variable Favorable (Unfavorable)
Electric Division			
Electricity purchased	$ 39,470,181	$ 38,952,440	$ 517,741
Operating	9,001,658	8,832,518	169,140
General and administrative	1,463,361	1,413,939	49,422
Board of directors	57,693	46,986	10,707
Customer service	823,330	591,134	232,196
Finance	274,319	251,753	22,566
Fleet services	278,216	244,072	34,144
Human resources	123,645	113,616	10,029
Information technology	530,996	409,295	121,701
Meter reading	424,782	401,323	23,459
Safety	82,016	74,374	7,642
Support services	610,572	572,195	38,377
Network Operations Center	439,140	431,532	7,608
Total operating expenses-Electric Division	$ 53,579,909	$ 52,335,177	$ 1,244,732
Water Division			
Water treatment	$ 2,171,975	$ 2,097,140	$ 74,835
Water Distribution	1,955,690	2,281,533	(325,843)
Operating	4,152,326	3,395,754	756,572
General and administrative	1,270,738	1,227,928	42,810
Board of directors	10,267	8,361	1,906
Customer service	390,636	280,468	110,168
Finance	185,708	170,431	15,277
Fleet services	234,539	205,755	28,784
Human resources	121,469	111,616	9,853
Information technology	465,027	358,446	106,581
Meter reading	325,584	307,603	17,981
Safety	80,573	73,065	7,508
Support services	396,967	372,016	24,951
Network Operations Center	208,353	204,744	3,609
Total operating expenses-Water Division	$ 11,969,852	$ 11,094,860	$ 874,992
Telecommunications Division			
Operating	$ 23,196,948	$ 21,765,279	$ 1,431,669
General and administrative	1,607,611	1,553,549	54,062
Board of directors	29,726	24,209	5,517
Customer service	988,041	709,392	278,649
Finance	235,509	216,135	19,374
Fleet services	133,358	116,991	16,367
Human resources	208,297	191,401	16,896
Information technology	1,166,893	899,449	267,444
Safety	138,168	125,294	12,874
Support services	453,509	425,004	28,505
Network Operations Center	526,992	517,861	9,131
Total operating expense-Telecommunications Division	$ 28,685,052	$ 26,544,564	$ 2,140,488

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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, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 16, 2022.

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
November 16, 2022