

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

CITY OF EDDYVILLE, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor Greg Greene
and Members of the City Council
City of Eddyville, Kentucky
Eddyville, Kentucky

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Eddyville, Kentucky, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

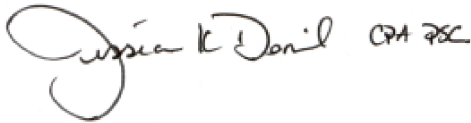
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of contributions to the net pension liability, schedule of proportionate share of the net OPEB liability, and schedule of contributions to the net OPEB liability on pages 4-9 and 49-57 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eddyville, Kentucky's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2022, on our consideration of the City of Eddyville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Eddyville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eddyville, Kentucky's internal control over financial reporting and compliance.

Handwritten signature of Jessica K. Donil CPA FSC in black ink.

Eddyville, Kentucky
March 31, 2022

**CITY OF EDDYVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

The City of Eddyville, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's financial activities for the year ended June 30, 2022. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

The City reports its annual financial statements in a required model format issued by the Government Accounting Standards Board.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for the fiscal year ended June 30, 2022:

- The total assets and deferred outflows of resources of the City exceed its total liabilities and deferred inflows of resources at the close of the 2022 fiscal year by \$13,160,783 (Net Position). Of this amount, \$3,127,482 represents the unrestricted net position.
- The City's total net position increased by \$1,673,342 during the year. Governmental activities increased the City's net position by \$671,893, and business-type activities increased the City's net position by \$1,001,449.
- As of June 30, 2022, the City's governmental funds reported combined fund balances of \$5,005,242. Over 88% of this total amount, or \$4,413,201, is unassigned and available for spending at the City's discretion.
- As of June 30, 2022, unassigned fund balances for the General Fund were \$4,413,201.
- The City decreased the existing long-term debt obligations by \$261,208 from the prior year.
- New debt issued was received through Kentucky Infrastructure Authority financing of \$1,680,711, of which \$73,218 is receivable. This amount completes the financing for the sewer project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The **government-wide** financial statements are designed to provide readers with a broad overview of the City of Eddyville's finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water, sewer, and parks. The government-wide financial statements can be found on pages 10-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following categories - **governmental** funds and **proprietary** funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City of Eddyville maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Fire Protection Fund which are considered to be major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 13-16.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Eddyville maintains the following type of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and parks operations.

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Park Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 17-20 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-48 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 49-57. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 58 and 59 of this report.

OVERVIEW OF THE CITY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

The government-wide financial statements reports that during the year ending June 30, 2022, the City received \$1,229,494 in operating and capital grants. Of this amount \$1,000,000 is debt forgiveness on the new KIA loan for the sewer project. Revenue from taxes increased approximately \$66,641 from June 30, 2021 to \$1,946,490. Expenses directly related to programs offered by the city increased \$23,383 to \$3,307,278. The Statement of Activities reflects the current year increase in net position of \$1,673,342.

The following is a recap of financial activity for the year:

CITY OF EDDYVILLE, KENTUCKY'S NET POSITION

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 5,729,838	\$ 4,624,544
Noncurrent assets, net	<u>14,834,346</u>	<u>13,240,460</u>
Total Assets	<u>20,564,184</u>	<u>17,865,004</u>
Deferred outflows of resources	<u>503,959</u>	<u>535,405</u>
Total Assets and Deferred Outflows of Resources	<u>21,068,143</u>	<u>18,400,409</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	5,112,392	4,368,458
Other liabilities	<u>888,718</u>	<u>1,710,999</u>
Total Liabilities	<u>6,001,110</u>	<u>6,079,457</u>
Deferred inflows of resources	<u>1,906,250</u>	<u>837,921</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,907,360</u>	<u>6,917,378</u>
Net Position		
Invested in capital assets net of related debt	9,718,174	8,500,070
Restricted	315,127	317,155
Unrestricted	<u>3,127,482</u>	<u>2,665,806</u>
Total Net Position	<u>\$ 13,160,783</u>	<u>\$ 11,483,031</u>

**CITY OF EDDYVILLE, KENTUCKY
CHANGES IN NET POSITION**

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for services	\$ 1,712,317	\$ 1,629,170
Grants and contributions	1,229,494	107,641
General revenues		
Taxes	1,946,490	1,879,849
Other	22,118	24,403
Insurance proceeds	-	24,517
Gain (loss) on disposal of capital assets	9,964	7,457
Other financial assistance	18,830	146,740
Investment earnings	<u>41,407</u>	<u>35,421</u>
Total revenues	<u>4,980,620</u>	<u>3,855,198</u>
Expenses		
General government	825,645	764,645
Public safety	574,116	787,974
Public works	428,685	338,480
Cemetery	12,426	11,526
Interest expense	-	-
Business-type activities	<u>1,466,406</u>	<u>1,379,847</u>
Total Expenses	<u>3,307,278</u>	<u>3,282,472</u>
Change in net position	1,673,342	572,726
Net position - beginning, restated	<u>11,487,441</u>	<u>10,910,305</u>
Net position - ending	<u>\$ 13,160,783</u>	<u>\$ 11,483,031</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated revenues to exceed expenditures by \$230,756. Actual operating revenues exceeded budgeted revenues by \$891,324 in the General Fund. Budgeted expenditures were greater than actual expenditures by \$235,492. The budgetary figures and actual amounts are reported in the supplementary information on page 49.

The original and final Fire Protection Fund budget passed by the city council anticipated expenditures to exceed revenues by \$46,117. The Fire Protection Fund had sufficient financing sources to cover the deficit. The actual revenues exceeded budgeted revenues received by \$24,404. Budgeted expenditures exceeded actual expenditures by \$117,504. The budgetary figures and actual amounts are reported in the supplementary information on page 50.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets as of June 30, 2022 amounted to \$13,317,773 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2022	2021
Governmental activities		
Capital assets, not being depreciated		
Land	\$ 60,946	\$ 80,446
Total capital assets, not being depreciated	60,946	80,446
Capital assets, being depreciated (net)		
Infrastructure	518,766	386,297
Buildings and improvements	320,539	335,303
Machinery and equipment	486,908	531,878
Vehicles	64,936	44,605
Total capital assets, being depreciated (net)	1,391,149	1,298,083
Governmental activities capital assets, net	\$ 1,452,095	\$ 1,378,529
 Business-type activities:		
	2022	2021
Capital assets, not being depreciated		
Land	\$ 58,426	\$ 58,426
Construction in progress	-	1,064,554
Total capital assets, not being depreciated (net)	58,426	1,122,980
Capital assets, being depreciated		
Buildings and improvements	11,490,935	8,888,884
Machinery and equipment	236,018	244,207
Vehicles	80,299	49,975
Total capital assets, being depreciated (net)	11,807,252	9,183,066
Business-type activities capital assets, net	\$ 11,865,678	\$ 10,306,046

Long-term and other debt

At the end of the current fiscal year, the City had a total outstanding debt in the proprietary funds of \$3,599,600 respectively. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$322,507, and the remainder is scheduled to be paid out in 2052. Interest expense paid by the proprietary funds for 2022 was \$35,841. The Sewer Fund entered into a financial agreement with Kentucky Infrastructure Authority to fund the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation Project. The first phase of the project was completed during fiscal year ending June 30, 2021. The funds drawn total \$423,964. This amount was combined with the loan for phase two of the project to create a total project cost of \$2,745,064. As of June 30, 2022, the project was complete and the full amount of \$2,745,064 has been recognized with \$73,218 shown as receivable.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the City of Eddyville, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Greg Greene, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 4,711,002	\$ 200	\$ 4,711,202
Accounts receivable (net)			
Taxes	190,313	-	190,313
Fees and services	35,003	151,117	186,120
Unbilled revenue	10,105	66,100	76,205
Other receivables	126,830	-	126,830
Financing	-	73,218	73,218
Intergovernmental	6,539	-	6,539
Inventory	-	49,634	49,634
Restricted assets			
Cash and cash equivalents	34,138	252,064	286,202
Investments	23,575	-	23,575
Total current assets	<u>5,137,505</u>	<u>592,333</u>	<u>5,729,838</u>
Noncurrent Assets			
Lease receivable	1,516,573	-	1,516,573
Capital assets, net of depreciation	1,452,095	11,865,678	13,317,773
Total noncurrent assets	<u>2,968,668</u>	<u>11,865,678</u>	<u>14,834,346</u>
Total Assets	<u>8,106,173</u>	<u>12,458,011</u>	<u>20,564,184</u>
<u>Deferred Outflows of Resources</u>			
Related to pensions	191,006	91,190	282,196
Related to other postemployment benefits	149,371	72,392	221,763
Total Deferred Outflows of Resources	<u>340,377</u>	<u>163,582</u>	<u>503,959</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	85,200	306,818	392,018
Taxes withheld and accrued	8,698	-	8,698
Meter deposits payable	-	118,820	118,820
Accrued employee benefits	19,400	19,446	38,846
Accrued interest	-	7,829	7,829
Long-term debt due in one year	-	322,507	322,507
Total current liabilities	<u>113,298</u>	<u>775,420</u>	<u>888,718</u>
Noncurrent liabilities			
Net pension liabilities	1,017,447	392,175	1,409,622
Net other post employment benefit liabilities	307,940	117,738	425,678
Long-term debt due after one year	-	3,277,092	3,277,092
Total non-current liabilities	<u>1,325,387</u>	<u>3,787,005</u>	<u>5,112,392</u>
Total Liabilities	<u>1,438,685</u>	<u>4,562,425</u>	<u>6,001,110</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	18,960	-	18,960
Unearned interest revenue	312,354	-	312,354
American Rescue Plan Act	669,584	-	669,584
Related to pensions	466,846	109,171	576,017
Related to other postemployment benefits	240,883	88,452	329,335
Total Deferred Inflows of Resources	1,708,627	197,623	1,906,250
<u>Net Position</u>			
Net invested in capital assets	1,452,095	8,266,079	9,718,174
Restricted for			
Debt service	-	252,064	252,064
Public safety	462	-	462
Public works	6,539	-	6,539
Cemetery fund	56,062	-	56,062
Unrestricted	3,784,080	(656,598)	3,127,482
Total Net Position	<u>\$ 5,299,238</u>	<u>\$ 7,861,545</u>	<u>\$ 13,160,783</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<u>Governmental activities</u>							
General government	\$ 825,645	\$ 267,585	\$ -	\$ -	\$ (558,060)	\$ -	\$ (558,060)
Public safety	574,116	6,595	82,700	-	(484,821)	-	(484,821)
Public works	428,685	-	143,794	-	(284,891)	-	(284,891)
Cemetery maintenance	12,426	-	-	-	(12,426)	-	(12,426)
Total governmental activities	<u>1,840,872</u>	<u>274,180</u>	<u>226,494</u>	<u>-</u>	<u>(1,340,198)</u>	<u>-</u>	<u>(1,340,198)</u>
<u>Business-type activities</u>							
Water system	733,992	838,166	3,000	-	-	107,174	107,174
Sewer system	656,704	582,628	-	1,000,000	-	925,924	925,924
Park	75,710	17,343	-	-	-	(58,367)	(58,367)
Total business-type activities	<u>1,466,406</u>	<u>1,438,137</u>	<u>3,000</u>	<u>1,000,000</u>	<u>-</u>	<u>974,731</u>	<u>974,731</u>
Total Primary Government	<u>\$ 3,307,278</u>	<u>\$ 1,712,317</u>	<u>\$ 229,494</u>	<u>\$ 1,000,000</u>	<u>(1,340,198)</u>	<u>974,731</u>	<u>(365,467)</u>
<u>General Revenues and Transfers</u>							
Taxes:							
Occupational					686,016	-	686,016
Property taxes					417,942	-	417,942
Insurance premium tax					300,632	-	300,632
Restaurant tax					174,395	-	174,395
Franchise tax					143,938	-	143,938
Regulatory fees					97,285	-	97,285
Other taxes					85,932	-	85,932
Business license					40,350	-	40,350
Miscellaneous					14,918	-	14,918
Cemetery					7,200	-	7,200
Interest income					40,150	1,257	41,407
Other financial assistance					18,830	-	18,830
Proceeds from sale of capital assets					9,964	-	9,964
Transfers in (out)					(25,461)	25,461	-
Total General Revenues and Transfers					<u>2,012,091</u>	<u>26,718</u>	<u>2,038,809</u>
<u>Change in Net Position</u>					671,893	1,001,449	1,673,342
<u>Net Position at Beginning of Year</u>					4,628,528	6,854,503	11,483,031
<u>Prior period adjustments (See Note 15)</u>					(1,183)	5,593	4,410
<u>Net Position at End of Year</u>					<u>\$ 5,299,238</u>	<u>\$ 7,861,545</u>	<u>\$ 13,160,783</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 4,386,203	\$ 324,799	\$ -	\$ 4,711,002
Accounts receivable				
Taxes	190,313	-	-	190,313
Fees and services	35,003	-	-	35,003
Other receivables	60,384	55,043	11,403	126,830
Unbilled revenue	10,105	-	-	10,105
Intergovernmental	-	-	6,539	6,539
Due from other funds	-	99,165	-	99,165
Restricted assets				
Cash and cash equivalents	1,719	-	32,419	34,138
Investments	-	-	23,575	23,575
	<u>\$ 4,683,727</u>	<u>\$ 479,007</u>	<u>\$ 73,936</u>	<u>\$ 5,236,670</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 80,504	\$ 4,702	\$ -	\$ 85,206
Accrued payroll and related expenses	8,697	-	-	8,697
Accrued employee benefits	19,400	-	-	19,400
Due to other funds	99,165	-	-	99,165
Total Liabilities	<u>207,766</u>	<u>4,702</u>	<u>-</u>	<u>212,468</u>
<u>Deferred Inflows of Resources</u>				
Property taxes	<u>18,960</u>	<u>-</u>	<u>-</u>	<u>18,960</u>
<u>Fund Balances</u>				
Restricted for				
Cemetery fund	-	-	56,062	56,062
Municipal aid	-	-	6,539	6,539
Public safety	1,719	-	-	1,719
Committed for				
Fire protection fund	-	474,305	-	474,305
Alcoholic beverage control	-	-	11,335	11,335
Assigned for				
Employee benefits	42,081	-	-	42,081
Unassigned	<u>4,413,201</u>	<u>-</u>	<u>-</u>	<u>4,413,201</u>
Total Fund Balances	<u>4,457,001</u>	<u>474,305</u>	<u>73,936</u>	<u>5,005,242</u>
<u>Total Liabilities, Deferred Inflows and Fund Balances</u>				
	<u>\$ 4,683,727</u>	<u>\$ 479,007</u>	<u>\$ 73,936</u>	<u>\$ 5,236,670</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022

Fund Balances - Total Governmental Funds \$ 5,005,242

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:

Governmental capital assets	\$ 4,266,294	
Less accumulated depreciation	<u>(2,814,199)</u>	1,452,095

Under modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year.

Lease receivable		1,516,573
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Unearned interest income	(312,354)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,692,734)</u>	<u>(2,005,088)</u>

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The City recognizes ARPA funds received as deferred until they are utilized.

(669,584)

Net Position of Governmental Activities **\$ 5,299,238**

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes				
Occupational	\$ 686,016	\$ -	\$ -	\$ 686,016
Property	417,942	-	-	417,942
Insurance premiums	103,000	197,632	-	300,632
Restaurant	174,395	-	-	174,395
Franchise	143,938	-	-	143,938
Regulatory fees	-	-	97,285	97,285
Other	85,932	-	-	85,932
License and permits	40,350	-	-	40,350
Charges for services	267,585	6,595	-	274,180
Intergovernmental	786,054	58,200	51,824	896,078
Miscellaneous	14,918	-	-	14,918
Investment income	19,557	1,752	437	21,746
Cemetery	-	-	7,200	7,200
Total Revenues	<u>2,739,687</u>	<u>264,179</u>	<u>156,746</u>	<u>3,160,612</u>
<u>Expenditures</u>				
Current				
General government	847,872	-	-	847,872
Public safety	276,758	131,908	122,946	531,612
Public works	295,714	-	50,897	346,611
Cemetery maintenance	-	-	11,859	11,859
Capital outlay	321,349	36,480	-	357,829
Total Expenditures	<u>1,741,693</u>	<u>168,388</u>	<u>185,702</u>	<u>2,095,783</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>				
	<u>997,994</u>	<u>95,791</u>	<u>(28,956)</u>	<u>1,064,829</u>
<u>Other Financing Sources (Uses)</u>				
Other financial assistance	18,830	-	-	18,830
Lease revenue	43,719	-	-	43,719
Proceeds from sale of capital assets	29,464	-	-	29,464
Transfers in (out)	(58,504)	4,752	28,291	(25,461)
Total Other Financing Sources (Uses)	<u>33,509</u>	<u>4,752</u>	<u>28,291</u>	<u>66,552</u>
<u>Net Change in Fund Balances</u>	<u>1,031,503</u>	<u>100,543</u>	<u>(665)</u>	<u>1,131,381</u>
<u>Fund Balances at Beginning of Year</u>	<u>3,425,498</u>	<u>373,762</u>	<u>74,601</u>	<u>3,873,861</u>
<u>Fund Balances at End of Year</u>	<u>\$ 4,457,001</u>	<u>\$ 474,305</u>	<u>\$ 73,936</u>	<u>\$ 5,005,242</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balance - Total Governmental Funds \$ 1,131,381

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 358,037	
Less current year depreciation	<u>(264,971)</u>	93,066

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. (19,500)

Under the modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the net additional revenue associated with receivables recognized this year less the additional revenue from receivables recombined last year.

Lease receivable payments	(43,719)	
Recognized unearned income	<u>18,404</u>	(25,315)

The net pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources are an obligation of the City of Eddyville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. 161,845

Governmental funds report grant proceeds when received. However, in the Statement of Activities, resources that are received and will be utilized in a later period are recognized as deferred inflows of resources. The City recognizes ARPA funds received as deferred inflows of resources. (669,584)

Changes in Net Position of Governmental Activities \$ 671,893

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-type Activities			Total
	Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 200	\$ 200
Receivables, net				
Fees and services	84,189	66,928	-	151,117
Unbilled revenue	40,468	25,632	-	66,100
Financing receivable	-	73,218	-	73,218
Inventory	47,781	1,853	-	49,634
Restricted assets				
Cash and cash equivalents	252,064	-	-	252,064
Total Current Assets	<u>424,502</u>	<u>167,631</u>	<u>200</u>	<u>592,333</u>
<u>Noncurrent Assets</u>				
Property, plant, and equipment, net of accumulated depreciation	4,065,220	7,703,496	96,962	11,865,678
Total Noncurrent Assets	<u>4,065,220</u>	<u>7,703,496</u>	<u>96,962</u>	<u>11,865,678</u>
Total Assets	<u>4,489,722</u>	<u>7,871,127</u>	<u>97,162</u>	<u>12,458,011</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Related to pensions	45,595	45,595	-	91,190
Related to other postemployment benefits	36,196	36,196	-	72,392
Total deferred outflows of resources	<u>81,791</u>	<u>81,791</u>	<u>-</u>	<u>163,582</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts payable	23,523	278,573	4,722	306,818
Meter deposits payable	118,820	-	-	118,820
Accrued employee benefits	8,891	9,203	1,352	19,446
Accrued interest payable	6,592	1,237	-	7,829
Long-term debt due in one year	205,366	117,141	-	322,507
Total Current Liabilities	<u>363,192</u>	<u>406,154</u>	<u>6,074</u>	<u>775,420</u>
<u>Noncurrent Liabilities</u>				
Net pension liabilities	196,088	196,087	-	392,175
Net other postemployment benefit liabilities	58,869	58,869	-	117,738
Long-term debt due after one year	717,530	2,559,562	-	3,277,092
Total Noncurrent Liabilities	<u>972,487</u>	<u>2,814,518</u>	<u>-</u>	<u>3,787,005</u>
Total Liabilities	<u>1,335,679</u>	<u>3,220,672</u>	<u>6,074</u>	<u>4,562,425</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Related to pensions	54,586	54,585	-	109,171
Related to other postemployment benefits	44,226	44,226	-	88,452
Total deferred inflows of resources	98,812	98,811	-	197,623
<u>NET POSITION</u>				
Net invested in capital assets	3,142,324	5,026,793	96,962	8,266,079
Restricted for debt service	252,064	-	-	252,064
Unrestricted	(257,366)	(393,358)	(5,874)	(656,598)
Total Net Position	\$ 3,137,022	\$ 4,633,435	\$ 91,088	\$ 7,861,545

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>Operating Revenues</u>				
Charges for services	\$ 838,166	\$ 582,628	\$ 17,343	\$ 1,438,137
Total Operating Revenues	<u>838,166</u>	<u>582,628</u>	<u>17,343</u>	<u>1,438,137</u>
<u>Operating Expenses</u>				
Depreciation	252,029	237,876	19,589	509,494
Salaries and wages	119,866	119,600	8,436	247,902
Utilities	85,314	105,015	9,471	199,800
Repairs and maintenance	79,425	74,759	15,023	169,207
Employee benefits	44,597	44,969	-	89,566
Materials and supplies	54,715	10,159	12,826	77,700
Insurance	34,174	28,314	3,895	66,383
Miscellaneous	14,577	2,007	2,304	18,888
Taxes	9,056	9,035	542	18,633
Gasoline, oil and grease	9,724	8,535	-	18,259
Loan fees	817	4,634	-	5,451
Office supplies	3,694	-	-	3,694
Cost of sales	-	-	3,624	3,624
Professional	1,964	-	-	1,964
Total Operating Expenses	<u>709,952</u>	<u>644,903</u>	<u>75,710</u>	<u>1,430,565</u>
<u>Income (Loss) from Operations</u>	<u>128,214</u>	<u>(62,275)</u>	<u>(58,367)</u>	<u>7,572</u>
<u>Nonoperating Revenues (Expenses)</u>				
Grant proceeds	3,000	1,000,000	-	1,003,000
Investment income	1,257	-	-	1,257
Interest expense	(24,040)	(11,801)	-	(35,841)
Total Nonoperating Revenues (Expenses)	<u>(19,783)</u>	<u>988,199</u>	<u>-</u>	<u>968,416</u>
<u>Income (Loss) Before Contributions and Transfers</u>	108,431	925,924	(58,367)	975,988
Transfers in(out)	<u>(87,900)</u>	<u>56,239</u>	<u>57,122</u>	<u>25,461</u>
<u>Change in Net Position</u>	20,531	982,163	(1,245)	1,001,449
<u>Net Position at Beginning of Year</u>	3,112,389	3,649,700	92,414	6,854,503
<u>Prior period adjustment (See Note 15)</u>	4,102	1,572	(81)	5,593
<u>Net Position at End of Year</u>	<u>\$ 3,137,022</u>	<u>\$ 4,633,435</u>	<u>\$ 91,088</u>	<u>\$ 7,861,545</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 836,223	\$ 590,028	\$ 17,343	\$ 1,443,594
Cash payments to suppliers for goods and services	(363,083)	(323,647)	(42,963)	(729,693)
Cash payments to employees for services	(118,690)	(118,402)	(7,084)	(244,176)
Net Cash Provided (Used) By Operating Activities	<u>354,450</u>	<u>147,979</u>	<u>(32,704)</u>	<u>469,725</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	-	56,239	57,122	113,361
Transfers out	(87,900)	-	-	(87,900)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(87,900)</u>	<u>56,239</u>	<u>57,122</u>	<u>25,461</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Grant proceeds	3,000	-	-	3,000
Principal paid on debt	(200,608)	(60,600)	-	(261,208)
Proceeds from long-term debt	-	1,726,411	-	1,726,411
Acquisition of property, plant and equipment	(43,455)	(1,858,840)	(24,218)	(1,926,513)
Interest paid on debt	(25,487)	(11,189)	-	(36,676)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(266,550)</u>	<u>(204,218)</u>	<u>(24,218)</u>	<u>(494,986)</u>
<u>Cash Flows from Investing Activities</u>				
Income received on investments	1,257	-	-	1,257
Net Cash Provided (Used) By Investing Activities	<u>1,257</u>	<u>-</u>	<u>-</u>	<u>1,257</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	1,257	-	200	1,457
<u>Cash and Cash Equivalents at Beginning of Year</u>	250,807	-	-	250,807
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 252,064</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 252,264</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u>				
<u>By Operating Activities</u>				
Operating income (loss)	\$ 128,214	\$ (62,275)	\$ (58,367)	\$ 7,572
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	252,029	237,876	19,589	509,494
Change in assets and liabilities				
Accounts receivable	(8,351)	7,400	-	(951)
Inventory	(4,972)	187	-	(4,785)
Deferred outflows of resources	(8,689)	(8,689)	-	(17,378)
Accounts payable	15,613	(795)	4,722	19,540
Accrued liabilities	7,713	1,382	1,352	10,447
Deferred pension and OPEB liabilities	(45,379)	(45,379)	-	(90,758)
Deferred inflows of resources	18,272	18,272	-	36,544
Net Cash Provided (Used) by Operating Activities	<u>\$ 354,450</u>	<u>\$ 147,979</u>	<u>\$ (32,704)</u>	<u>\$ 469,725</u>
<u>Reconciliation of Total Cash</u>				
Current Assets - Cash	\$ -	\$ -	\$ 200	\$ 200
Restricted Assets - Cash	252,064	-	-	252,064
Total Cash	<u>\$ 252,064</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 252,264</u>

Non-Cash Investing, Capital and Related Financing Activities - none

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eddyville, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), public works (highway and streets), water distribution, wastewater treatment, cemetery maintenance, and community pool and park.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62, which was adopted in the current year. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Eddyville, Kentucky operates under a Mayor/Council form of government. The City Council consists of six members elected at large by the citizens on a non-partisan basis. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity, and related relationships with the City.

B. Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the City as a whole. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on sources, uses, and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Fire Protection Fund

The Fire Protection Fund is used to account for the provision of fire protection services to the residents of the City. Revenues consist of insurance premium taxes assigned to this fund.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, water treatment and distribution, infrastructure additions, and maintenance. The department accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, wastewater treatment and collection, and infrastructure additions and maintenance. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Insurance premium and franchise taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer, and natural gas services which are accrued. Expenses are recognized at the time the liability is incurred.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Non-major governmental funds are not budgeted.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and request appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

As required by Kentucky Revised Statutes (KRS) 91A.030 (2), formal budgetary integration is employed as a management device during the year for the General Fund, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by KRS 91A.030 (13).

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the original adopted budget for year ended June 30, 2022.

E. Cash and Investments

For the purpose of the Statement of Net Position, "cash equivalents" includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash equivalents" include all demand and savings accounts, and certificates of deposit, or short-term investments with an original maturity of three months or less.

Investments include certificates of deposit reported at cost, which approximates fair value. Investments also include short-term pooled municipal guaranteed securities which are valued at market value. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. Additional cash and investment disclosures are presented in Note 3.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The major receivable balance for the governmental activities normally include taxpayer assessed revenues such as occupational and insurance premium taxes. Business-type activities report customer utility usages as their major receivable.

G. Allowance for Uncollectible Accounts

The City elects to not recognize an allowance for uncollectible accounts. Bad debts are removed utilizing the direct write-off method.

H. Inventory

Material and supplies inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. The cost is recorded as an asset at the time of purchase and as expenditures when used (consumption method).

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

The restricted funds have been handled in accordance with the provisions of the various proprietary fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	12-50 years
Utility Plant	30-33 years
Machinery and Equipment	3-10 years

The City has elected not to retroactively report general infrastructure assets purchased prior to July 1, 2003.

L. Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for the governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

M. Compensated Absences

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation and personal time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacations, sick, and other leave benefits that meet the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences attributable to employees' services already rendered
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year. Vacation leave is eligible as follows:

- a. 1st year - days granted equals the number of months the employee has worked during the previous calendar year times 83%.
- b. 2nd year through 10th year - 10 days
- c. 11th year and above - 15 days.

Employees are urged to take their annual leave each year. However, for leave that is not taken during the year, employees will be paid in December for up to 10 days. Vacation rights are vested after satisfactory completion of the first six months of employment. Only full time employees are eligible for vacation benefits. When an employee gives a proper notice of two weeks all accrued annual vacation leave shall be paid at the employee's current rate of pay.

Each full time employee is granted personal leave credit at the rate of one working day per month. Any personal days granted and unused in excess of 24 total days may be exchanged at the end of the calendar year at the rate of the employee's current rate of hourly pay. There is no limit to the number of personal leave days an employee may accrue. However, the exchange for year-end pay shall be based on the current year and in no case shall be more than 12 personal days per year to be exchanged for payment.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

N. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of lease, note, and bond obligations payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

O. Bond Discounts/Issuance Costs

Bond discounts and issuance costs on long-term debt are deferred and charged as nonoperating expense over the terms of the related issues. Issuance costs are recognized when incurred.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenditures during the reporting period. Actual results could differ from those estimates.

R. Pensions

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

S. Postemployment Benefits Other Than Pensions (OPEB)

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

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

T. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City has implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The City establishes (and modifies or rescinds) fund balance commitments by voting. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City through adoption or amendment of the budget is intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the Council itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

U. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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Deferred outflows related to pensions and other post employment benefits are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other postemployment benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other postemployment liabilities in the year ending June 30, 2023. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for reporting in this category.

Deferred inflows related to property taxes are reported in the government-wide statement of net position and governmental balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to pensions and other postemployment benefits are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions and other postemployment benefits results from net differences between expected and actual earnings on plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

Deferred inflows related to unearned interest revenue are reported in the government-wide statement of net position. A deferred inflow from unearned interest revenue results from the interest portion of the lease receivable that will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to funds received through the American Rescue Plan Act are recognized as deferred in the government-wide statements. The funds will be recognized as grant income as they are utilized.

V. Recent Accounting Pronouncements

As of June 30, 2022, the GASB has issued the following pronouncements required to be adopted by the City.

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after June 15, 2021. This Statement will increase the usefulness of government financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement has no effect on the City's financial statement in the current year.

GASB Statement No. 92, *Omnibus 2020*, was issued January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued June 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement has no effect on the City's financial statement in the current year.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued October 2021. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

Recent Accounting Pronouncements

As of June 30, 2022, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement NO. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible assets - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. The City's management has not yet determined the effect this statement will have on the financial statements.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022 and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

W. Subsequent Events

The City has evaluated subsequent events through March 31, 2022, the date which the financial statements were available to be issued.

On March 17, 2022, the City was awarded a grant from the Kentucky Cleaner Water Program. The grant is for \$100,507 and will be used for the wastewater SSES and rehabilitation project south of Fairview Avenue. The City requested their first draw for this grant on September 15, 2022.

The City has agreed to provide a grant in the amount of \$75,000 to the Eddyville Riverport Industrial Development Authority, Inc. for work at the industrial park. These funds were paid on September 26, 2022.

In December 2022, the City received bids for water metering system improvements. The estimated project cost is \$634,847.

On October 26, 2021, the City was awarded a grant from the Commonwealth of Kentucky of \$50,140 that is designated for renovating the tennis courts. The total project is expected to be \$100,280 and will be completed in September 2022.

2. LEGAL COMPLIANCE

Deficit Fund Balances/Net Position

No funds had a deficit fund balance or deficit net position during the fiscal year ending June 30, 2022.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. DEPOSITS AND INVESTMENTS

A. Statement of Net Position Cash Presentation

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 1,373	\$ 4,709,629	\$ -	\$ 4,711,002
Investments	-	-	-	-
Restricted assets				
Cash equivalents	-	286,202	-	286,202
Investments	-	23,575	-	23,575
Total	<u>\$ 1,373</u>	<u>\$ 5,019,406</u>	<u>\$ -</u>	<u>\$ 5,020,779</u>

B. Deposits

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$5,020,779 the bank balance was \$5,042,069. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$1,254,081 was held in an Insured Cash Sweep Account (ICS), \$719,691 was covered by federal depository insurance, and \$1,716,677 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

C. Investments

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state chartered banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury agencies and instrumentalities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Custodial Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limit on the amount that may be invested with one issuer.

Identification

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit:		
Cemetery Trust - Hickory Grove Fredonia Valley Bank	3/31/2027	<u>23,575</u>
Total Investments		<u>\$ 23,575</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

4. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Lyon County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Lyon County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2022, taxes were levied on October 31, 2021 and payable on December 1, 2021. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.32 per \$100 of assessed valuation of real property, and \$0.2922 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

5. RESTRICTED NET POSITION

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Water Fund as of June 30, 2022.

<u>Cemetery Restricted Assets</u>	
Cemetery funds	\$ 56,062
<u>Public Safety Restricted Assets</u>	
Municipal Road Aid funds	6,539
<u>Public Works Restricted Assets</u>	
Federal Forfeiture Treasury funds	462
<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	<u>252,064</u>
Total Restricted Net Position	<u><u>\$ 315,127</u></u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2022 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 80,446	\$ -	\$ (19,500)	\$ 60,946
Total capital assets not being depreciated	<u>80,446</u>	<u>-</u>	<u>(19,500)</u>	<u>60,946</u>
Capital assets being depreciated:				
Infrastructure	951,393	179,833	-	1,131,226
Buildings and improvements	624,013	-	-	624,013
Machinery and equipment	2,010,121	141,724	-	2,151,845
Vehicles	261,784	36,480	-	298,264
Total capital assets being depreciated	<u>3,847,311</u>	<u>358,037</u>	<u>-</u>	<u>4,205,348</u>
Less accumulated depreciation for:				
Infrastructure	(565,096)	(47,364)	-	(612,460)
Buildings and improvements	(288,710)	(14,764)	-	(303,474)
Machinery and equipment	(1,478,243)	(186,694)	-	(1,664,937)
Vehicles	(217,179)	(16,149)	-	(233,328)
Total accumulated depreciation	<u>(2,549,228)</u>	<u>(264,971)</u>	<u>-</u>	<u>(2,814,199)</u>
Total capital assets being depreciated, net	<u>1,298,083</u>	<u>93,066</u>	<u>-</u>	<u>1,391,149</u>
Governmental activities capital assets, net	<u>\$ 1,378,529</u>	<u>\$ 93,066</u>	<u>\$ (19,500)</u>	<u>\$ 1,452,095</u>

Business-type Activities

A summary of property, plant, and equipment at June 30, 2022 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 58,426	\$ -	\$ -	\$ 58,426
Construction in progress	1,064,554	1,883,822	(2,948,376)	-
Total capital assets not being depreciated	<u>1,122,980</u>	<u>1,883,822</u>	<u>(2,948,376)</u>	<u>58,426</u>
Capital assets being depreciated:				
Plant and facilities	18,554,654	3,038,087	-	21,592,741
Vehicles	141,584	47,655	-	189,239
Machinery and equipment	837,322	47,937	-	885,259
Total capital assets being depreciated	<u>19,533,560</u>	<u>3,133,679</u>	<u>-</u>	<u>22,667,239</u>
Less accumulated depreciation for:				
Plant and facilities	(9,665,770)	(436,036)	-	(10,101,806)
Vehicles	(91,609)	(17,331)	-	(108,940)
Machinery and equipment	(593,115)	(56,126)	-	(649,241)
Total accumulated depreciation	<u>(10,350,494)</u>	<u>(509,493)</u>	<u>-</u>	<u>(10,859,987)</u>
Total capital assets being depreciated, net	<u>9,183,066</u>	<u>2,624,186</u>	<u>-</u>	<u>11,807,252</u>
Business-type activities capital assets, net	<u>\$ 10,306,046</u>	<u>\$ 4,508,008</u>	<u>\$ (2,948,376)</u>	<u>\$ 11,865,678</u>

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

Governmental activities	
Public safety	\$ 148,101
General government	10,605
Public works	105,698
Cemetery	567
Total depreciation expense - governmental activities	<u>\$ 264,971</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Business-type activities	
Water	\$ 252,029
Sewer	237,876
Park	<u>19,589</u>
Total depreciation expense - business type activities	<u>\$ 509,494</u>

7. LEASE RECEIVABLE

On October 24, 2003, the City entered into a lease agreement with the City of Kuttawa to lease the gas transmission lines for \$2,188,000, of which \$648,000 is recognized as unearned interest income. The lease agreement calls for monthly lease payments determined by usage. The City of Kuttawa will pay to Eddyville \$0.50 per 1,000 cubic feet of gas transported by Kuttawa in the Eddyville gas lines. Payments will be based on the meter reading at the delivery point. The term of the agreement is 20 years, at which time the parties may extend the agreement for a subsequent term or term of 20 years. At the conclusion of the lease, legal ownership of the gas transmission lines vests in the City of Kuttawa. Due to the payment structure a five year payment schedule cannot be presented.

	Balance June 30, 2021	Payments Received	Interest Recognized	Balance June 30, 2022
Lease Receivable	\$ 1,560,292	\$ 43,719	\$ -	\$ 1,516,573
Unearned Interest	<u>330,758</u>	<u>-</u>	<u>18,404</u>	<u>312,354</u>
Lease Receivable, net	<u>\$ 1,891,050</u>	<u>\$ 43,719</u>	<u>\$ (18,404)</u>	<u>\$ 1,828,927</u>

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2022. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

9. LONG-TERM DEBT

The City's long-term debt is segregated between the amounts to be repaid from business-type activities.

Business-Type Activities

As of June 30, 2022, the leases, notes, and bonds payable from proprietary fund resources consisted of the following:

Current portion proprietary debt	\$ 322,507
Noncurrent portion proprietary debt	<u>3,277,092</u>
Total Proprietary Debt Obligations	<u>\$ 3,599,599</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Proprietary Leases

Branch Banking and Trust Company

The City entered into a leasing agreement on February 1, 2018, with Branch Banking and Trust Company to refund and redeem the outstanding Water Revenue Bonds, Series 1966A and 1996B issued to finance improvements to the City's water system. The aggregate principal amount is \$1,100,000 and bears an interest rate of 2.45%. The lease calls for semi-annual principal and interest payments with the final payment being due February 1, 2027. The City is required to maintain the sinking fund and depreciation fund created under the provisions of the 1996 Bond Legislation. The principal balance of the lease obligation at June 30, 2022, was \$583,441 of which \$111,075 is due in one year.

Proprietary Notes Payable

Kentucky Infrastructure Authority (KIA) Fund F Loan - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2022 was \$339,457 of which \$94,291 is due in one year.

Kentucky Infrastructure Authority (KIA) Revolving Loan Fund A

On January 1, 2016, the City entered into a financial agreement with Kentucky Infrastructure Authority for sewer improvements not to exceed \$1,400,000. The funds were provided through the Federally Assisted Wastewater Revolving Loan Fund Program Fund A. The total project was completed and draws totaled \$1,398,134, of which 10% (\$139,813) of the principal was forgiven. The loan is to be repaid over 20 years with an interest rate of .75% and an administrative fee of .20%. The loan requires semiannual principal and interest payments. The City is required to establish a Maintenance and Replacement Reserve where the City is to deposit \$3,500 per year until the account reaches \$35,000. The balance of \$35,000 is to be maintained for the life of the loan. Principal payments began June 1, 2018. The principal balance at June 30, 2022 was \$931,636 of which \$61,055 is due in one year.

Kentucky Infrastructure Authority (KIA) Sewer Rehabilitation Project

On February 20, 2020, the City entered into a financial agreement with Kentucky Infrastructure Authority for the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation project. The planning and design loan will finance the evaluation of the collection system. The term is five years at a 2.5 percent interest rate. As of June 30, 2022, the total \$423,964 was received and consolidated with a new loan to fund the implementation of the project. The total funding for this project is not to exceed \$2,745,064. As of June 30, 2022, the full amount has been received or is receivable. Per the agreement, \$1,000,000 of principal will be forgiven and is recognized as grant income. The principal balance at June 30, 2022, was \$2,745,064, of which \$56,086 is due in one year.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide activities debt for the year ended June 30, 2022 follows:

	Balance June 30, 2021	Issuance/ (Reductions)	Balance June 30, 2022	Due in One Year
<i><u>Business Type Activities</u></i>				
Bonds payable				
KIA Fund A Loan - Sewer Rehab	\$ 1,064,353	\$ 680,711	\$ 1,745,064	\$ 56,086
Leases payable				
BB&T Governmental	691,845	(108,403)	583,442	111,075
Notes payable				
KIA Fund F Loan	431,661	(92,204)	339,457	94,291
KIA Fund A Loan	992,236	(60,600)	931,636	61,055
Total Business-Type Activities	<u>\$ 3,180,095</u>	<u>\$ 419,504</u>	<u>\$ 3,599,599</u>	<u>\$ 322,507</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2022, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 322,507	\$ 37,855	\$ 360,362
2024	327,978	31,961	359,939
2025	333,568	25,941	359,509
2026	288,580	19,794	308,374
2027	241,999	15,385	257,384
2028-2032	607,096	52,743	659,839
2033-2037	588,990	30,743	619,733
2038-2042	292,600	17,044	309,644
2043-2047	296,278	10,423	306,701
2048-2052	300,003	3,719	303,722
Total	<u>\$ 3,599,599</u>	<u>\$ 245,608</u>	<u>\$ 3,845,207</u>

Total interest expensed for the year ended June 30, 2022.

Business-type activities \$ 35,841

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. LITIGATION AND CONTINGENCIES

Litigation

The City is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

Contingencies

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2022, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

12. COMMITMENTS

Kentucky Law Enforcement Foundation Program (KLEFP) funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualifications.

The City entered into a contract with Waste Path Services, LLC (Contractor) beginning April 14, 2019 to provide sanitation services. The City is responsible for billing and collecting fees. Amounts collected for services, less a 10% franchise fee, and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly. This is a three (3) year contract expiring April 13, 2022, with an option to renew for a period of one (1) additional year.

13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Primary government operating transfers at June 30, 2022 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<u>General Fund</u>	\$ 58,504	\$ -	\$ 58,504
<u>Special Revenue Funds</u>			
Fire Protection	-	4,752	(4,752)
Cemetery fund	-	10	(10)
Alcohol Beverage Fund	-	28,281	(28,281)
<u>Business-type funds</u>			
Water Fund	87,900	-	87,900
Sewer Fund	-	56,239	(56,239)
Park Board	-	57,122	(57,122)
Total	<u>\$ 146,404</u>	<u>\$ 146,404</u>	<u>\$ -</u>

CITY OF EDDYVILLE, KENTUCKY
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14. EMPLOYEES' RETIREMENT PLAN

County Employees' Retirement System

Plan description. The City of Eddyville, Kentucky is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority Board (KPPA) established pursuant to Kentucky Revised Statutes (KRS) Section 78.782 and 61.645. KRS Section 61.645 grants the authority to establish and amend the benefit terms to the Kentucky Public Pensions Authority Board (KPPA). CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All City employees participating in the CERS are classified as having a nonhazardous position for the purpose of KRS 61.592. Kentucky Retirement Systems issues a publicly available comprehensive annual financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

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

Nonhazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service an any age Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Not available

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Contributions. State statute requires active members to contribute a percentage of creditable compensation based on the tier.

	Nonhazardous		Hazardous
	<u>Required Contributions</u>		<u>Required Contributions</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2022, the employer contribution rates were 22.78% and 35.60%, respectively, of member's nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. City employer CERS contributions for the year ended June 30, 2022 were \$168,081 which was 100% funded. The requirement consisted of \$100,346 and \$67,735 for nonhazardous and hazardous classified employees, respectively.

Refunds of contributions. Employees who have terminated service as a contribution member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For Tier 1 employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2%, for Tier 2 employees participating on or after September 1, 2008, but before January 1, 2014, interest will be credited at a rate of 2.5%. For Tier 3 employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2022, the City reported a liability of \$1,409,622 (\$700,316 nonhazardous and \$709,306 hazardous) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled-forward from the valuation date to June 30, 2021, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the plan year ended June 30, 2021. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2021, the City's proportion was .010984% for nonhazardous classified employees and .026644% for hazardous classified employees.

The following is a summary of the City's CERS net pension liability:

City's nonhazardous proportionate share of the CERS net pension liability	\$ 700,316
City's hazardous proportionate share of the CERS net pension liability	<u>709,306</u>
Total CERS net pension liability associated with the City	<u><u>\$ 1,409,622</u></u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Pension expense. As a result of its requirement to contribute to CERS, the City recognized a negative pension expenses of \$50,966 (\$22,784 nonhazardous and \$28,182 hazardous) for the year ended June 30, 2022. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Nonhazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>
Net differences between expected and actual experience	\$ 8,042	\$ 6,797	\$ 19,560	\$ -
Net differences between projected and actual investment earnings	27,168	120,508	22,650	98,795
Change of assumption	9,399	-	8,859	-
Changes in proportion and differences between employer contributions and share of contributions	17,885	67,646	552	282,271
Contributions subsequent to the measurement date	<u>100,346</u>	<u>-</u>	<u>67,735</u>	<u>-</u>
Totals	<u>\$ 162,840</u>	<u>\$ 194,951</u>	<u>\$ 119,356</u>	<u>\$ 381,066</u>

The \$168,081 (\$100,346 nonhazardous and \$67,735 hazardous) reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2023	\$ (62,823)	\$ (94,317)
June 30, 2024	(20,017)	(101,694)
June 30, 2025	(20,387)	(86,353)
June 30, 2026	<u>(29,230)</u>	<u>(47,081)</u>
Total	<u>\$ (132,457)</u>	<u>\$ (329,445)</u>

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan. This change does not impact the calculation of the total pension liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Nonhazardous pension plan from 2020 to 2021.

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their employees. As such, there is no material impact on the total pension liability due to this legislation. There were no other material plan provision changes.

CITY OF EDDYVILLE, KENTUCKY
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Senate Bill 249 passed during the 2020 Legislative Session 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 total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

Actuarial assumptions. There have been no changes in actuarial assumptions since June 30, 2020. The actuarial assumptions are::

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Inflation	2.30%	2.30%
Payroll Growth Rate	3.30% - 10.30%	3.55% - 19.05%
Investment rate of return,	6.25%	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous 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.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Growth	68.50%	
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

CITY OF EDDYVILLE, KENTUCKY
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Discount Rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR) issued by KPPA.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

The City's proportionate share of the net pension liability	1% Decrease <u>5.25%</u>	Current Discount Rate 6.25%	1% Increase <u>7.25%</u>
Non-Hazardous	\$ 898,189	\$ 700,316	\$ 536,581
Hazardous	\$ 904,109	\$ 709,306	\$ 550,542

Payables to the pension plan. At June 30, 2022, the financial statements include \$15,925 in contractually required employee and employer contributions primarily for the month ended June 30, 2022. The obligation was paid within prescribed time limits.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority (KPPA) and can be found at <https://kyret.ky.gov>.

Other Post-Employment Benefit Plans (OPEB)

Plan description. Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). The City of Eddyville, Kentucky, is a participating member of the CERS. The plan issues publicly available financial statements which may be found at <https://kyret.ky.gov>.

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from the KERS, CERS, and SPRS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

The CERS Nonhazardous and Hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

CITY OF EDDYVILLE, KENTUCKY
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Contributions Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2022, the employer contribution rate was 4.17% and 8.73%, respectively of members' nonhazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2022, were \$34,979, which consisted of \$18,369 and \$16,610 for nonhazardous and hazardous classified employees, respectively.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited into an account created for the payment of health insurance benefits under 26 USC Section 104(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to the 401(h) account is non-refundable.

Implicit Subsidy The fully-insured premiums KPPA pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date. The City's implicit subsidy for the year ended June 30, 2022 was \$6,918 for nonhazardous employees and \$1,534 for hazardous employees.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources At June 30, 2022, the City reported a net OPEB liability of \$425,678 (\$210,245 nonhazardous and \$215,433 hazardous) for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using generally accepted actuarial principles. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2021, the City's proportion was .010982% for nonhazardous classified employees and .026644% for hazardous classified employees.

The following is a summary of the City's CERS net OPEB liability:

City's nonhazardous proportionate share of the CERS net OPEB liability	\$ 210,245
City's hazardous proportionate share of the CERS net OPEB liability	<u>215,433</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 425,678</u></u>

CITY OF EDDYVILLE, KENTUCKY
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For the year ended June 30, 2022, the City recognized OPEB expense of \$4,690 (\$4,403 nonhazardous and \$287 hazardous). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Nonhazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 33,061	\$ 62,772	\$ 6,732	\$ 23,177
Net differences between projected and actual investment earnings	10,593	43,483	13,590	54,139
Change of assumption	55,740	195	54,026	81
Changes in proportion and differences between employer contributions and share of contributions	4,590	51,501	-	93,987
Contributions subsequent to the measurement date, including implicit subsidy	<u>25,287</u>	<u>-</u>	<u>18,144</u>	<u>-</u>
Totals	<u>\$ 129,271</u>	<u>\$ 157,951</u>	<u>\$ 92,492</u>	<u>\$ 171,384</u>

The \$43,431 (\$25,287 nonhazardous and \$18,144 hazardous) reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and the implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2023	\$ (10,571)	\$ (25,340)
June 30, 2024	(15,536)	(19,512)
June 30, 2025	(14,639)	(20,247)
June 30, 2026	(13,221)	(24,311)
June 30, 2027	<u>(13,221)</u>	<u>(7,626)</u>
Total	<u>\$ (67,188)</u>	<u>\$ (97,036)</u>

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Nonhazardous plan to elect to cease participating in the KERS Nonhazardous Plan as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total OPEB liability due to this legislation.

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Senate Bill 249 passed during the 2020 legislative session 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 OPEB liability and only impacts the calculation of the contribution rates that were payable starting July 1, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Additionally, House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. This change does not impact the calculation of the total OPEB liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective OPEB Amounts in the KERS Nonhazardous insurance plan from 2020 to 2021. Additional information is provided in Section 1 of the GASB 75 KERS report. There were no other material plan provision changes.

Actuarial Assumptions The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2021 actuarial valuation was based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date June 30, 2020, to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Nonhazardous
Salary Increase	3.30% - 19.05%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Plans, and the PUB-2010 Public Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	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.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic nominal rates of return for each major class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	(0.00)%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Discount Rate The single discount rate of 5.20% for CERS nonhazardous is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the ACFR provided by KPPA.

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

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the nonhazardous net OPEB liability calculated using the discount rate of 5.20%, as well as what the City's proportionate share of the nonhazardous 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:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.20%</u>	Current Discount Rate 5.20%	1% Increase <u>6.20%</u>
Non-Hazardous	\$ 288,665	\$ 210,245	\$ 145,888

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.05%, as well as what the City's proportionate share of the hazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.05%) or 1-percentage-point higher (6.05%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.05%</u>	Current Discount Rate 5.05%	1% Increase <u>6.05%</u>
Hazardous	\$ 312,336	\$ 215,433	\$ 137,576

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

The City's proportionate share of the net pension liability	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ 151,351	\$ 210,245	\$ 281,330
Hazardous	\$ 141,163	\$ 215,433	\$ 306,395

Payables to the pension plan. At June 30, 2022, the financial statements include \$2,914 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2022. The obligation was paid within prescribed time limits.

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority and can be found at <https://kyret.ky.gov>.

15. PRIOR PERIOD ADJUSTMENT

Correction of an error

A prior period adjustment is being made to correct beginning accumulated depreciation.

	<u>Government- Wide</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Park Fund</u>
Net position July 1, 2021, as previously stated	\$ 4,628,528	\$ 3,112,389	\$ 3,649,700	\$ 92,414
Depreciation expense	<u>1,182</u>	<u>4,102</u>	<u>1,572</u>	<u>(81)</u>
Net position July 1, 2021, restated	<u>\$ 4,629,710</u>	<u>\$ 3,116,491</u>	<u>\$ 3,651,272</u>	<u>\$ 92,333</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDDYVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budgeted</u>	<u>Budgeted</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes				
Occupational	\$ 650,000	\$ 650,000	\$ 686,016	\$ 36,016
Property	415,000	415,000	417,942	2,942
Restaurant	145,000	145,000	174,395	29,395
Franchise	86,800	86,800	143,938	57,138
Insurance premiums	100,000	100,000	103,000	3,000
Other	61,200	61,200	85,932	24,732
License and permits	34,300	34,300	40,350	6,050
Charges for services	243,500	243,500	267,585	24,085
Intergovernmental	82,863	82,863	786,054	703,191
Miscellaneous	22,700	22,700	14,918	(7,782)
Interest income	7,000	7,000	19,557	12,557
Total revenues	<u>1,848,363</u>	<u>1,848,363</u>	<u>2,739,687</u>	<u>891,324</u>
<u>Expenditures</u>				
General government	774,033	774,033	847,872	(73,839)
Public safety	313,271	313,271	276,758	36,513
Public works	442,535	442,535	295,714	146,821
Capital outlay	449,000	449,000	321,349	127,651
Total expenditures	<u>1,978,839</u>	<u>1,978,839</u>	<u>1,741,693</u>	<u>237,146</u>
<u>Excess (Deficiency) of Revenues Over</u>	<u>(130,476)</u>	<u>(130,476)</u>	<u>997,994</u>	<u>1,128,470</u>
<u>Expenditures</u>				
<u>Other Financing Sources (Uses)</u>				
Other financial assistance	-	-	18,830	18,830
Lease revenue	36,000	36,000	43,719	7,719
Proceeds from sale of capital assets	-	-	29,464	29,464
Grant proceeds	325,232	325,232	-	(325,232)
Transfers in(out)	-	-	(58,504)	(58,504)
Total other financing sources (uses)	<u>361,232</u>	<u>361,232</u>	<u>33,509</u>	<u>327,723</u>
<u>Net Change in Fund Balances</u>	<u>\$ 230,756</u>	<u>\$ 230,756</u>	<u>1,031,503</u>	<u>\$ 1,456,193</u>
<u>Fund Balances at Beginning of Year</u>			<u>3,425,498</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 4,457,001</u>	

CITY OF EDDYVILLE, KENTUCKY
FIRE PROTECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Insurance license tax	\$ 192,000	\$ 192,000	\$ 197,632	\$ 5,632
Intergovernmental	40,000	40,000	58,200	18,200
Charges for services	6,500	6,500	6,595	95
Investment income	1,275	1,275	1,752	477
Total revenues	<u>239,775</u>	<u>239,775</u>	<u>264,179</u>	<u>24,404</u>
<u>Expenditures</u>				
Public safety	145,892	145,892	131,908	13,984
Capital outlay	140,000	140,000	36,480	103,520
Total expenditures	<u>285,892</u>	<u>285,892</u>	<u>168,388</u>	<u>117,504</u>
<u>Excess (Deficiency) of Revenues Over</u>				
<u>Expenditures</u>	(46,117)	(46,117)	95,791	141,908
<u>Other Financing Sources (Uses)</u>				
Transfers in(out)	-	-	4,752	4,752
<u>Net Change in Fund Balances</u>				
	<u>\$ (46,117)</u>	<u>\$ (46,117)</u>	100,543	<u>\$ 146,660</u>
<u>Fund Balances at Beginning of Year</u>			<u>373,762</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 474,305</u>	

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN MEASUREMENT DATES (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Non-Hazardous</u>									
City's proportion of the net pension liability (asset)	.010984%	.010637%	.012933%	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 700,316	\$ 815,849	\$ 909,584	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.98%	290.78%	344.37%	288.63%	242.67%	200.64%	208.25%	135.74%	146.86%
Plan fiduciary net position as a percentage of the total pension liability (2)	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<u>Hazardous</u>									
City's proportion of the net pension liability (asset)	.026644%	.036592%	.042281%	.042127%	.043182%	.035460%	.022480%	-	-
City's proportionate share of the net pension liability (asset)	\$ 709,306	\$ 1,103,259	\$ 1,167,926	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038	\$ -	\$ -
City's covered-employee payroll	\$ 190,263	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	372.80%	713.24%	550.57%	423.11%	405.29%	256.67%	187.20%	-	-
Plan fiduciary net position as a percentage of the total pension liability (2)	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	-	-

Note to Schedule:

(1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

(2) This will be the same percentage for all participant employers in the CERS plan.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Non-Hazardous</u>									
Contractually required contribution	\$ 100,346	\$ 54,152	\$ 64,494	\$ 52,913	\$ 55,487	\$ 53,961	\$ 65,123	\$ 102,318	111,447
Contributions in relation to the contractually required contribution	<u>100,346</u>	<u>54,152</u>	<u>64,494</u>	<u>52,913</u>	<u>55,487</u>	<u>53,961</u>	<u>65,123</u>	<u>102,318</u>	<u>111,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
Contribution as a percentage of covered-employee payroll	22.78%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<u>Hazardous</u>									
Contractually required contribution	\$ 67,735	\$ 46,499	\$ 95,631	\$ 59,886	\$ 52,094	\$ 51,463	\$ 52,086	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>67,735</u>	<u>46,499</u>	<u>95,631</u>	<u>59,886</u>	<u>52,094</u>	<u>51,463</u>	<u>52,086</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 190,263	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	35.60%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	-	-

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those allocated directly to the CERS pension fund.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2022

Note A - Changes of Assumptions:

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

2015: 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%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used was updated to 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 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 margins will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018: There have been no changes in actuarial assumptions since June 30, 2017.

2019: The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: There have been no changes in actuarial assumptions since June 30, 2020.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2022

Note B - Method and assumptions used in calculations of actuarially determined contribution

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2020, determined as of June 30, 2019. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for CERS
Investment rate of return	6.25%
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Note C - Changes of Benefits

2009: A new benefit tier for members who first participated on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates.
- 2) New retirement eligibility requirements.
- 3) Difference rules for the computation of final average compensation.

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

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN MEASUREMENT DATES (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Nonhazardous</u>					
City's proportionate share of the net OPEB liability (asset)	0.010982%	0.010634%	0.012929%	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 210,245	\$ 256,779	\$ 217,460	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	47.73%	91.52%	82.33%	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	62.91%	51.67%	60.44%	57.62%	52.40%
<u>Hazardous</u>					
City's proportionate share of the net OPEB liability (asset)	0.026644%	0.036580%	0.042273%	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 215,433	\$ 215,433	\$ 215,433	\$ 215,433	\$ 356,973
City's covered employee payroll	\$ 190,263	\$ 190,263	\$ 190,263	\$ 190,263	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	113.23%	218.54%	147.44%	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	66.81%	58.84%	64.44%	64.24%	59.00%

Note to Schedule:

(1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

(2) This will be the same percentage for all participant employers in the CERS plan.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous</u>					
Statutorily required contributions	\$ 18,369	\$ 11,719	\$ 15,475	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<u>18,369</u>	<u>11,719</u>	<u>15,475</u>	<u>17,161</u>	<u>18,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	4.17%	4.76%	4.76%	5.26%	4.70%
<u>Hazardous</u>					
Statutorily required contributions	\$ 16,610	\$ 14,724	\$ 28,716	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<u>16,610</u>	<u>14,724</u>	<u>28,716</u>	<u>25,211</u>	<u>21,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 190,263	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	8.73%	9.52%	9.52%	10.47%	9.35%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those allocated directly to the CERS insurance fund.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN OPEB BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2022

Note A - Changes of Assumptions:

2017: The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018: There have been no changes in actuarial assumptions since June 30, 2017.

2019: The payroll growth rate was reduced to 2.00% from 4.00%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

Note B - Method and assumptions used in calculations of actuarially determined contribution

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule for the year ending June 30, 2021.

Valuation date	June 30, 2018
Experience study	July 1, 2008 - June 30, 2013
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by services
Payroll growth rate	2.00%, CERS nonhazardous
Investment rate of return	6.25% net of plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Note C - Changes of Benefits

There were no changes to benefits for OPEB plan.

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF EDDYVILLE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			Total Non-Major Governmental Funds
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	
<u>Assets</u>				
Receivables	\$ -	\$ 11,335	\$ 68	\$ 11,403
Intergovernmental receivables	6,539	-	-	6,539
Restricted assets				
Cash equivalents	-	-	32,419	32,419
Investments	-	-	23,575	23,575
<u>Total Assets</u>	<u>\$ 6,539</u>	<u>\$ 11,335</u>	<u>\$ 56,062</u>	<u>\$ 73,936</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances</u>				
Restricted for				
Cemetery fund	-	-	56,062	56,062
Municipal aid	6,539	-	-	6,539
Committed for				
Alcoholic beverage control	-	11,335	-	11,335
Total Fund Balances	6,539	11,335	56,062	73,936
<u>Total Liabilities and Fund Balances</u>	<u>\$ 6,539</u>	<u>\$ 11,335</u>	<u>\$ 56,062</u>	<u>\$ 73,936</u>

CITY OF EDDYVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Special Revenue Funds</u>			Total Other Governmental Funds
	<u>Municipal Aid</u>	<u>Alcohol Beverage Fund</u>	<u>Cemetery Fund</u>	
<u>Revenues</u>				
Regulatory fee	\$ -	\$ 97,285	\$ -	\$ 97,285
Intergovernmental	51,824	-	-	51,824
Cemetery	-	-	7,200	7,200
Interest income	-	-	437	437
Total Revenues	<u>51,824</u>	<u>97,285</u>	<u>7,637</u>	<u>156,746</u>
<u>Expenditures</u>				
Public safety	-	122,946	-	122,946
Public works	50,897	-	-	50,897
Cemetery maintenance	-	-	11,859	11,859
Total Expenditures	<u>50,897</u>	<u>122,946</u>	<u>11,859</u>	<u>185,702</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	927	(25,661)	(4,222)	(28,956)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in(out)	-	28,281	10	28,291
<u>Net Change in Fund Balances</u>	927	2,620	(4,212)	(665)
<u>Fund Balances - Beginning of Year</u>	<u>5,612</u>	<u>8,715</u>	<u>60,274</u>	<u>74,601</u>
<u>Fund Balances - End of Year</u>	<u>\$ 6,539</u>	<u>\$ 11,335</u>	<u>\$ 56,062</u>	<u>\$ 73,936</u>

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor Greg Greene
and Members of the City Council
City of Eddyville, Kentucky
Eddyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eddyville, Kentucky as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Eddyville, Kentucky's basic financial statements, and have issued our report thereon dated March 31, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Item 2022-1 and Item 2022-2).

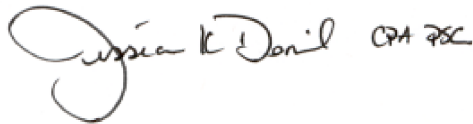
Compliance and other Matters

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

We also noted certain matters that we reported to management of the City of Eddyville, Kentucky, in a separate letter dated March 31, 2022.

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. However, this report is a matter of public record, and its distribution is not limited.

Handwritten signature of Jessica K. Donil CPA FSC in cursive script.

Eddyville, Kentucky
March 31, 2022

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

2022-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Eddyville, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Eddyville, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individual's is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

2022-2: Audit Adjustments

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

2021-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Eddyville, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Eddyville, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individual's is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

2021-2: Audit Adjustments

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.