

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**CITY OF EDDYVILLE, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
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**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

**Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of June 30, 2021, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of contributions, and schedule of proportionate share of net pension liability on pages 3-8 and 45-53 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.

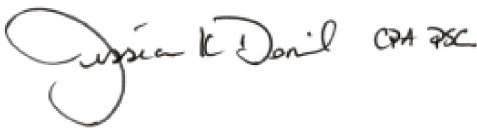
### *Other Information*

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 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.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and schedules 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 24, 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, grants 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 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.



Eddyville, Kentucky  
March 24, 2022

**CITY OF EDDYVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(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, 2021. 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, 2021:

- 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 2021 fiscal year by \$11,483,031 (Net Position). Of this amount, \$2,665,806 represents the unrestricted net position.
- The City's total net position increased by \$572,726 during the year. Governmental activities increased the City's net position by \$917,961, and business-type activities decreased the City's net position by \$345,235.
- As of June 30, 2021, the City's governmental funds reported combined fund balances of \$3,873,861. Over 88% of this total amount, or \$3,414,478, is unassigned and available for spending at the City's discretion.
- As of June 30, 2021, unassigned fund balances for the General Fund were \$3,414,478.
- The City decreased the existing long-term debt obligations by \$256,109 from the prior year.
- New debt issued was received through interim financing of \$715,302 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 9-11 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 12-15.

### **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 16-19 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 20-44 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 45-53. 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 54 and 55 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, 2021, the City received \$107,641 in operating and capital grants. Revenue from taxes increased approximately \$112,827 from June 30, 2020 to \$1,879,849. Expenses directly related to programs offered by the city decreased \$351,506 to \$3,282,472. The Statement of Activities reflects the current year increase in net position of \$572,726.

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

**CITY OF EDDYVILLE, KENTUCKY'S NET POSITION**

Assets and Deferred Outflows of Resources	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 4,624,544	\$ 3,733,713
Noncurrent assets, net	<u>13,240,460</u>	<u>13,012,397</u>
Total Assets	<u>17,865,004</u>	<u>16,746,110</u>
Deferred outflows of resources	<u>535,405</u>	<u>704,394</u>
Total Assets and Deferred Outflows of Resources	<u>18,400,409</u>	<u>17,450,504</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,368,458	4,723,474
Other liabilities	<u>1,710,999</u>	<u>1,020,925</u>
Total Liabilities	<u>6,079,457</u>	<u>5,744,399</u>
Deferred inflows of resources	<u>837,921</u>	<u>760,698</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,917,378</u>	<u>6,505,097</u>
Net Position		
Invested in capital assets net of related debt	8,500,070	8,686,314
Restricted	317,155	554,885
Unrestricted	<u>2,665,806</u>	<u>1,704,208</u>
Total Net Position	<u>\$ 11,483,031</u>	<u>\$ 10,945,407</u>

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

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,629,170	\$ 1,630,076
Grants and contributions	107,641	168,815
General revenues		
Taxes	1,879,849	1,767,022
Other	24,403	31,370
Insurance proceeds	24,517	20,377
Gain (loss) on disposal of capital assets	7,457	-
Other financial assistance	146,740	127,429
Investment earnings	<u>35,421</u>	<u>32,766</u>
Total revenues	<u>3,855,198</u>	<u>3,777,855</u>
<b>Expenses</b>		
General government	764,645	747,274
Public safety	787,974	989,759
Public works	338,480	393,731
Cemetery	11,526	12,324
Interest expense	-	9,383
Business-type activities	<u>1,379,847</u>	<u>1,483,114</u>
Total Expenses	<u>3,282,472</u>	<u>3,635,585</u>
Change in net position	572,726	142,270
Net position - beginning, restated	<u>10,910,305</u>	<u>10,803,137</u>
Net position - ending	<u>\$ 11,483,031</u>	<u>\$ 10,945,407</u>



## GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated revenues to exceed expenditures by \$27,194. Actual operating revenues exceeded budgeted revenues by \$383,121 in the General Fund. Budgeted expenditures were greater than actual expenditures by \$276,580. The budgetary figures and actual amounts are reported in the supplementary information on page 45.

The original and final Fire Protection Fund budget passed by the city council anticipated expenditures to exceed revenues by \$144,220. The Fire Protection Fund had sufficient financing sources to cover the deficit. The actual revenues exceeded budgeted revenues received by \$19,366. Budgeted expenditures exceeded actual expenditures by \$103,241. The budgetary figures and actual amounts are reported in the supplementary information on page 46.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City's investment in capital assets as of June 30, 2021 amounted to \$11,680,165 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2021	2020
<b>Governmental activities</b>		
Capital assets, not being depreciated		
Land	\$ 80,445	\$ 80,445
Total capital assets, not being depreciated	80,445	80,445
Capital assets, being depreciated (net)		
Infrastructure	441,788	439,808
Buildings and improvements	335,129	352,646
Machinery and equipment	477,813	489,428
Vehicles	44,536	65,037
Total capital assets, being depreciated (net)	1,299,266	1,346,919
Governmental activities capital assets, net	\$ 1,379,711	\$ 1,427,364
 <b>Business-type activities:</b>		
	2021	2020
Capital assets, not being depreciated		
Land	\$ 58,426	\$ 58,426
Construction in progress	1,064,554	349,051
Total capital assets, not being depreciated (net)	1,122,980	407,477
Capital assets, being depreciated		
Buildings and improvements	8,884,689	9,312,061
Machinery and equipment	242,985	239,492
Vehicles	49,800	19,792
Total capital assets, being depreciated (net)	9,177,474	9,571,345
Business-type activities capital assets, net	\$ 10,300,454	\$ 9,978,822

**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 \$2,115,740 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 \$261,209, and the remainder is scheduled to be paid out in 2038. Interest expense paid by the proprietary funds for 2021 was \$47,175. 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, 2021, \$1,064,353 has been drawn from the open balance, leaving a balance of \$1,680,711 available to draw.

**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 John Choat, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash equivalents	\$ 3,589,504	\$ -	\$ 3,589,504
Accounts receivable (net)			
Taxes	186,227	-	186,227
Fees and services	24,070	132,494	156,564
Unbilled revenue	11,713	68,970	80,683
Other receivables	115,911	-	115,911
Interim financing receivable	-	133,719	133,719
Intergovernmental receivables	5,612	-	5,612
Inventory	-	44,849	44,849
Restricted assets			
Cash equivalents	37,373	250,807	288,180
Investments	23,295	-	23,295
Total current assets	<u>3,993,705</u>	<u>630,839</u>	<u>4,624,544</u>
<b>Noncurrent Assets</b>			
Lease receivable	1,560,295	-	1,560,295
Capital assets, net of depreciation	<u>1,379,711</u>	<u>10,300,454</u>	<u>11,680,165</u>
Total noncurrent assets	<u>2,940,006</u>	<u>10,300,454</u>	<u>13,240,460</u>
Total Assets	<u>6,933,711</u>	<u>10,931,293</u>	<u>17,865,004</u>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	228,591	79,362	307,953
Related to other postemployment benefits	<u>160,610</u>	<u>66,842</u>	<u>227,452</u>
Total Deferred Outflows of Resources	<u>389,201</u>	<u>146,204</u>	<u>535,405</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	76,515	144,540	221,055
Taxes withheld and accrued	6,083	-	6,083
Meter deposits payable	-	112,412	112,412
Accrued employee benefits	21,690	15,536	37,226
Accrued interest	-	8,661	8,661
Interim financing	-	1,064,353	1,064,353
Long-term debt due in one year	<u>-</u>	<u>261,209</u>	<u>261,209</u>
Total current liabilities	<u>104,288</u>	<u>1,606,711</u>	<u>1,710,999</u>
<b>Non-current liabilities</b>			
Net pension liabilities	1,462,233	456,875	1,919,108
Net other post employment benefit liabilities	451,021	143,796	594,817
Long-term debt due after one year	<u>-</u>	<u>1,854,533</u>	<u>1,854,533</u>
Total non-current liabilities	<u>1,913,254</u>	<u>2,455,204</u>	<u>4,368,458</u>
Total Liabilities	<u>2,017,542</u>	<u>4,061,915</u>	<u>6,079,457</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	15,556	-	15,556
Unearned interest revenue	330,758	-	330,758
Related to pensions	198,495	95,543	294,038
Related to other postemployment benefits	132,033	65,536	197,569
Total Deferred Inflows of Resources	676,842	161,079	837,921
<b><u>Net Position</u></b>			
Net invested in capital assets	1,379,711	7,120,359	8,500,070
Restricted for			
Debt service	-	250,807	250,807
Public safety	462	-	462
Public works	5,612	-	5,612
Cemetery fund	60,274	-	60,274
Unrestricted	3,182,469	(516,663)	2,665,806
Total Net Position	\$ 4,628,528	\$ 6,854,503	\$ 11,483,031

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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
<b><u>Governmental activities</u></b>							
General government	\$ 764,645	\$ 250,093	\$ -	\$ -	\$ (514,552)	\$ -	\$ (514,552)
Public safety	787,974	-	52,727	-	(735,247)	-	(735,247)
Public works	338,480	-	50,586	-	(287,894)	-	(287,894)
Cemetery maintenance	11,526	-	-	-	(11,526)	-	(11,526)
Total governmental activities	<u>1,902,625</u>	<u>250,093</u>	<u>103,313</u>	<u>-</u>	<u>(1,549,219)</u>	<u>-</u>	<u>(1,549,219)</u>
<b><u>Business-type activities</u></b>							
Water system	726,773	813,454	1,500	-	-	88,181	88,181
Sewer system	611,758	565,398	1,500	-	-	(44,860)	(44,860)
Park	41,316	225	1,328	-	-	(39,763)	(39,763)
Total business-type activities	<u>1,379,847</u>	<u>1,379,077</u>	<u>4,328</u>	<u>-</u>	<u>-</u>	<u>3,558</u>	<u>3,558</u>
Total Primary Government	<u>\$ 3,282,472</u>	<u>\$ 1,629,170</u>	<u>\$ 107,641</u>	<u>\$ -</u>	<u>(1,549,219)</u>	<u>3,558</u>	<u>(1,545,661)</u>
<b><u>General Revenues and Transfers</u></b>							
Taxes:							
Occupational					662,899	-	662,899
Property taxes					438,987	-	438,987
Insurance premium tax					299,796	-	299,796
Restaurant tax					154,614	-	154,614
Franchise tax					109,342	-	109,342
Regulatory fees					91,524	-	91,524
Other taxes					82,462	-	82,462
Business license					40,225	-	40,225
Miscellaneous					17,203	-	17,203
Cemetery					7,200	-	7,200
Interest income					35,421	-	35,421
Other financial assistance					146,740	-	146,740
Insurance Proceeds					5,645	18,872	24,517
Proceeds from sale of capital assets					4,355	3,102	7,457
Transfers					370,767	(370,767)	-
Total General Revenues and Transfers					<u>2,467,180</u>	<u>(348,793)</u>	<u>2,118,387</u>
<b><u>Change in Net Position</u></b>					917,961	(345,235)	572,726
<b><u>Net Position at Beginning of Year</u></b>					3,745,669	7,199,738	10,945,407
<b><u>Prior period adjustments (See Note 15)</u></b>					(35,102)	-	(35,102)
<b><u>Net Position at End of Year</u></b>					<u>\$ 4,628,528</u>	<u>\$ 6,854,503</u>	<u>\$ 11,483,031</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash equivalents	\$ 3,233,632	\$ 355,872	\$ -	\$ 3,589,504
Accounts receivable				
Taxes	186,227	-	-	186,227
Fees and services	24,070	-	-	24,070
Other receivables	50,050	57,078	8,783	115,911
Unbilled revenue	11,713	-	-	11,713
Intergovernmental receivable	-	-	5,612	5,612
Due from other funds	32,825	-	-	32,825
Restricted assets				
Cash equivalents	462	-	36,911	37,373
Investments	-	-	23,295	23,295
	<b><u>\$ 3,538,979</u></b>	<b><u>\$ 412,950</u></b>	<b><u>\$ 74,601</u></b>	<b><u>\$ 4,026,530</u></b>
<b><u>Liabilities, Deferred Inflows, and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 70,152	\$ 6,363	\$ -	\$ 76,515
Accrued payroll and related expenses	6,083	-	-	6,083
Accrued employee benefits	21,690	-	-	21,690
Due to other funds	-	32,825	-	32,825
Total Liabilities	<u>97,925</u>	<u>39,188</u>	<u>-</u>	<u>137,113</u>
<b><u>Deferred Inflows of Resources</u></b>				
Property taxes	<u>15,556</u>	<u>-</u>	<u>-</u>	<u>15,556</u>
<b><u>Fund Balances</u></b>				
Restricted for				
Cemetery fund	-	-	60,274	60,274
Municipal aid	-	-	5,612	5,612
Public safety	462	-	-	462
Committed for				
Fire protection fund	-	373,762	-	373,762
Alcoholic beverage control	-	-	8,715	8,715
Assigned for				
Employee benefits	10,558	-	-	10,558
Unassigned	<u>3,414,478</u>	<u>-</u>	<u>-</u>	<u>3,414,478</u>
Total Fund Balances	<u>3,425,498</u>	<u>373,762</u>	<u>74,601</u>	<u>3,873,861</u>
<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>				
	<b><u>\$ 3,538,979</u></b>	<b><u>\$ 412,950</u></b>	<b><u>\$ 74,601</u></b>	<b><u>\$ 4,026,530</u></b>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**Fund Balances - Total Governmental Funds** \$ 3,873,861

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	\$ 3,902,814	
Less accumulated depreciation	<u>(2,523,103)</u>	1,379,711

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		1,560,295
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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	(330,758)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,854,581)</u>	<u>(2,185,339)</u>

**Net Position of Governmental Activities** **\$ 4,628,528**

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 662,899	\$ -	\$ -	\$ 662,899
Property	438,987	-	-	438,987
Insurance premiums	101,134	198,662	-	299,796
Restaurant	154,614	-	-	154,614
Franchise	109,342	-	-	109,342
Regulatory fees	-	-	91,524	91,524
Other	82,462	-	-	82,462
License and permits	40,225	-	-	40,225
Charges for services	250,093	-	-	250,093
Intergovernmental	24,177	30,240	48,896	103,313
Miscellaneous	17,203	-	-	17,203
Investment income	13,585	1,464	2,346	17,395
Cemetery	-	-	7,200	7,200
Total Revenues	<u>1,894,721</u>	<u>230,366</u>	<u>149,966</u>	<u>2,275,053</u>
<b><u>Expenditures</u></b>				
Current				
General government	754,033	-	-	754,033
Public safety	247,590	99,359	109,734	456,683
Public works	229,389	-	-	229,389
Cemetery maintenance	-	-	11,526	11,526
Capital outlay	21,814	152,620	47,064	221,498
Total Expenditures	<u>1,252,826</u>	<u>251,979</u>	<u>168,324</u>	<u>1,673,129</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>				
	<u>641,895</u>	<u>(21,613)</u>	<u>(18,358)</u>	<u>601,924</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Other financial assistance	146,740	-	-	146,740
Lease revenue	44,866	-	-	44,866
Proceeds from sale of capital assets	4,355	-	-	4,355
Insurance proceeds	5,645	-	-	5,645
Transfers in	352,976	1,464	16,327	370,767
Total Other Financing Sources (Uses)	<u>554,582</u>	<u>1,464</u>	<u>16,327</u>	<u>572,373</u>
<b><u>Net Change in Fund Balances</u></b>	1,196,477	(20,149)	(2,031)	1,174,297
<b><u>Fund Balances at Beginning of Year</u></b>	2,264,123	393,911	76,632	2,734,666
<b><u>Restatement (See Note 15)</u></b>	<u>(35,102)</u>	<u>-</u>	<u>-</u>	<u>(35,102)</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 3,425,498</u>	<u>\$ 373,762</u>	<u>\$ 74,601</u>	<u>\$ 3,873,861</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, 2021**

**Net Change in Fund Balance - Total Governmental Funds** \$ 1,174,297

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	\$ 221,498	
Less current year depreciation	<u>(269,150)</u>	(47,652)

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	(44,866)	
Recognized unearned income	<u>18,026</u>	(26,840)

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. (181,844)

**Changes in Net Position of Governmental Activities** **\$ 917,961**

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Business-type Activities			Total
	Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Receivables, net				
Fees and services	\$ 76,242	\$ 56,252	\$ -	\$ 132,494
Unbilled revenue	40,064	28,906	-	68,970
Interim financing	-	133,719	-	133,719
Inventory	42,809	2,040	-	44,849
Restricted assets				
Cash equivalents	<u>250,807</u>	<u>-</u>	<u>-</u>	<u>250,807</u>
Total Current Assets	<u>409,922</u>	<u>220,917</u>	<u>-</u>	<u>630,839</u>
<b><u>Noncurrent Assets</u></b>				
Property, plant, and equipment, net of accumulated depreciation	<u>4,269,692</u>	<u>5,938,348</u>	<u>92,414</u>	<u>10,300,454</u>
Total Noncurrent Assets	<u>4,269,692</u>	<u>5,938,348</u>	<u>92,414</u>	<u>10,300,454</u>
Total Assets	<u>4,679,614</u>	<u>6,159,265</u>	<u>92,414</u>	<u>10,931,293</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Related to pensions	39,681	39,681	-	79,362
Related to other postemployment benefits	<u>33,421</u>	<u>33,421</u>	<u>-</u>	<u>66,842</u>
Total deferred outflows of resources	<u>73,102</u>	<u>73,102</u>	<u>-</u>	<u>146,204</u>
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	7,783	136,757	-	144,540
Meter deposits payable	112,412	-	-	112,412
Accrued employee benefits	7,715	7,821	-	15,536
Accrued interest payable	8,036	625	-	8,661
Interim financing	-	1,064,353	-	1,064,353
Long-term debt due in one year	<u>200,608</u>	<u>60,601</u>	<u>-</u>	<u>261,209</u>
Total Current Liabilities	<u>336,554</u>	<u>1,270,157</u>	<u>-</u>	<u>1,606,711</u>
<b><u>Noncurrent Liabilities</u></b>				
Net pension liabilities	228,438	228,437	-	456,875
Net other postemployment benefit liabilities	71,898	71,898	-	143,796
Long-term debt due after one year	<u>922,897</u>	<u>931,636</u>	<u>-</u>	<u>1,854,533</u>
Total Noncurrent Liabilities	<u>1,223,233</u>	<u>1,231,971</u>	<u>-</u>	<u>2,455,204</u>
Total Liabilities	<u>1,559,787</u>	<u>2,502,128</u>	<u>-</u>	<u>4,061,915</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Related to pensions	47,772	47,771	-	95,543
Related to other postemployment benefits	32,768	32,768	-	65,536
Total deferred inflows of resources	80,540	80,539	-	161,079
<b><u>NET POSITION</u></b>				
Net invested in capital assets	3,146,187	3,881,758	92,414	7,120,359
Restricted for debt service	250,807	-	-	250,807
Unrestricted	(284,605)	(232,058)	-	(516,663)
Total Net Position	\$ 3,112,389	\$ 3,649,700	\$ 92,414	\$ 6,854,503

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, 2021**

	Business-type Activities			Total
	Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 813,454	\$ 565,398	\$ 225	\$ 1,379,077
Total Operating Revenues	<u>813,454</u>	<u>565,398</u>	<u>225</u>	<u>1,379,077</u>
<b><u>Operating Expenses</u></b>				
Depreciation	260,298	229,590	18,125	508,013
Repairs and maintenance	119,029	71,149	7,795	197,973
Employee benefits	56,921	55,115	-	112,036
Utilities	74,725	102,822	3,839	181,386
Salaries and wages	85,778	85,883	88	171,749
Insurance	32,151	25,223	1,201	58,575
Materials and supplies	38,189	8,954	3,554	50,697
Miscellaneous	10,421	1,810	5,792	18,023
Taxes	6,545	6,553	6	13,104
Gasoline, oil and grease	5,522	4,011	-	9,533
Office supplies	6,960	5	-	6,965
Loan fees	999	2,703	-	3,702
Cost of sales	-	-	916	916
Total Operating Expenses	<u>697,538</u>	<u>593,818</u>	<u>41,316</u>	<u>1,332,672</u>
<b><u>Income (Loss) from Operations</u></b>	<u>115,916</u>	<u>(28,420)</u>	<u>(41,091)</u>	<u>46,405</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Insurance proceeds	1,003	17,869	-	18,872
Grant proceeds	1,500	1,500	1,328	4,328
Gain (Loss) on disposal of assets	1,551	1,551	-	3,102
Interest expense	(29,235)	(17,940)	-	(47,175)
Total Nonoperating Revenues (Expenses)	<u>(25,181)</u>	<u>2,980</u>	<u>1,328</u>	<u>(20,873)</u>
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	90,735	(25,440)	(39,763)	25,532
Transfers (out)	(351,426)	(40,201)	-	(391,627)
Transfers in	-	-	20,860	20,860
<b><u>Change in Net Position</u></b>	<u>(260,691)</u>	<u>(65,641)</u>	<u>(18,903)</u>	<u>(345,235)</u>
<b><u>Net Position at Beginning of Year</u></b>	<u>3,373,080</u>	<u>3,715,341</u>	<u>111,317</u>	<u>7,199,738</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 3,112,389</u>	<u>\$ 3,649,700</u>	<u>\$ 92,414</u>	<u>\$ 6,854,503</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 811,270	\$ 559,162	\$ 225	\$ 1,370,657
Cash payments to suppliers for goods and services	(359,162)	(298,260)	(22,325)	(679,747)
Cash payments to employees for services	(85,778)	(85,744)	(88)	(171,610)
Net Cash Provided (Used) By Operating Activities	<u>366,330</u>	<u>175,158</u>	<u>(22,188)</u>	<u>519,300</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	-	-	20,860	20,860
Transfers out	(351,426)	(40,201)	-	(391,627)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(351,426)</u>	<u>(40,201)</u>	<u>20,860</u>	<u>(370,767)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Grant proceeds	1,500	1,500	1,328	4,328
Insurance proceeds	1,003	23,714	-	24,717
Principal paid on debt	(195,960)	(60,148)	-	(256,108)
Proceeds from long-term debt	-	718,653	-	718,653
Proceeds from disposal of capital assets	1,551	1,551	-	3,102
Acquisition of property, plant and equipment	(30,455)	(802,287)	-	(832,742)
Interest paid on debt	(30,136)	(17,940)	-	(48,076)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(252,497)</u>	<u>(134,957)</u>	<u>1,328</u>	<u>(386,126)</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	<u>(237,593)</u>	<u>-</u>	<u>-</u>	<u>(237,593)</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>488,400</u>	<u>-</u>	<u>-</u>	<u>488,400</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 250,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,807</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u></b>				
<b><u>By Operating Activities</u></b>				
Operating income (loss)	\$ 115,916	\$ (28,420)	\$ (41,091)	\$ 46,405
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	260,298	229,590	18,125	508,013
Change in assets and liabilities				
Accounts receivable	(7,380)	(6,236)	-	(13,616)
Prepaid expenses	2,790	2,790	-	5,580
Inventory	(3,458)	3,180	-	(278)
Deferred outflows of resources	7,462	5,643	-	13,105
Accounts payable	(6,733)	(23,678)	778	(29,633)
Accrued liabilities	5,484	89	-	5,573
Deferred pension and OPEB liabilities	(15,237)	(14,988)	-	(30,225)
Deferred inflows of resources	7,188	7,188	-	14,376
Net Cash Provided (Used) by Operating Activities	<u>\$ 366,330</u>	<u>\$ 175,158</u>	<u>\$ (22,188)</u>	<u>\$ 519,300</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current Assets - Cash	\$ -	\$ -	\$ -	\$ -
Restricted Assets - Cash	250,807	-	-	250,807
Total Cash	<u>\$ 250,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,807</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, 2021**

**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, 2021**

***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, 2021**

**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.



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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, 2021 .

**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, 2021, 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.

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**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.

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**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.

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**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 Commission 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.

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

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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, 2022. 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 three 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 are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions results from net differences between expected and actual earnings on pension 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.

**V. Recent Accounting Pronouncements**

As of June 30, 2021, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provision in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statements information has be updated to reflect the new effective dates.

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 governments' financial statements by required reporting of certain lease liabilities that currently are note 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. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018. The requirements of this Statement are effective for periods beginning December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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

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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. 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. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued March 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting financial reporting implications that result from the replacement of and IBOR. 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 asset - 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.

**W. Subsequent Events**

The City has evaluated subsequent events through March 24, 2022, the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It is uncertain the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations, if any.

The City signed documentation with the US Department of the Treasury to receive their portion of the Coronavirus State and Local Fiscal Recovery Funds established under the American Rescue Plan Act. According to preliminary numbers, the City is expected to receive funds totaling \$659,051 to be paid in two

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installments. The funds received must be used in compliance with section 603(c) of the Social Security Act, Treasury's regulations implementing that section, and guidance issued by Treasury regarding the foregoing. The period of performance for this award ends on December 31, 2026. Recipients may use the award funds to cover eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024.

**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, 2021.

**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	\$ 800	\$ 3,588,704	\$ -	\$ 3,589,504
Investments	-	-	-	-
Restricted assets				
Cash equivalents	-	288,180	-	288,180
Investments	-	23,295	-	23,295
Total	<u>\$ 800</u>	<u>\$ 3,900,179</u>	<u>\$ -</u>	<u>\$ 3,900,979</u>

**B. Deposits**

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$3,900,979 the bank balance was \$3,916,701. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$1,404,571 was held in an Insured Cash Sweep Account (ICS), \$590,735 was covered by federal depository insurance, and \$1,756,020 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name. \$165,375 was left uncollateralized on June 30, 2021.

**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 doesn't 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.

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*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*

Investment	Maturities	Fair Value
Certificates of Deposit:		
Cemetery Trust - Hickory Grove Fredonia Valley Bank	3/31/2022	23,295
Total Investments		\$ 23,295

**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, 2021, taxes were levied on October 31, 2020 and payable on December 1, 2020. 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, 2021.

<u>Cemetery Restricted Assets</u>	
Cemetery funds	\$ 60,274
<u>Public Safety Restricted Assets</u>	
Municipal Road Aid funds	5,612
<u>Public Works Restricted Assets</u>	
Federal Forfeiture Treasury funds	462
<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	250,807
Total Restricted Net Position	\$ 317,155



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**6. CAPITAL ASSETS**

**Governmental Activities**

A summary of capital assets at June 30, 2021 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 80,445	\$ -	\$ -	\$ 80,445
Total capital assets not being depreciated	<u>80,445</u>	<u>-</u>	<u>-</u>	<u>80,445</u>
Capital assets being depreciated:				
Infrastructure	951,393	57,158	-	1,008,551
Buildings and improvements	624,013	-	-	624,013
Machinery and equipment	1,792,006	164,339	(5,862)	1,950,483
Vehicles	288,662	-	(49,340)	239,322
Total capital assets being depreciated	<u>3,656,074</u>	<u>221,497</u>	<u>(55,202)</u>	<u>3,822,369</u>
Less accumulated depreciation for:				
Infrastructure	(511,585)	(55,178)	-	(566,763)
Buildings and improvements	(271,367)	(17,517)	-	(288,884)
Machinery and equipment	(1,302,578)	(175,954)	5,862	(1,472,670)
Vehicles	(223,625)	(20,501)	49,340	(194,786)
Total accumulated depreciation	<u>(2,309,155)</u>	<u>(269,150)</u>	<u>55,202</u>	<u>(2,523,103)</u>
Total capital assets being depreciated, net	<u>1,346,919</u>	<u>(47,653)</u>	<u>-</u>	<u>1,299,266</u>
Governmental activities capital assets, net	<u>\$ 1,427,364</u>	<u>\$ (47,653)</u>	<u>\$ -</u>	<u>\$ 1,379,711</u>

**Business-type Activities**

A summary of property, plant, and equipment at June 30, 2021 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 58,426	\$ -	\$ -	\$ 58,426
Construction in progress	349,051	715,503	-	1,064,554
Total capital assets not being depreciated	<u>407,477</u>	<u>715,503</u>	<u>-</u>	<u>1,122,980</u>
Capital assets being depreciated:				
Plant and facilities	18,548,849	5,805	-	18,554,654
Vehicles	116,642	46,428	(21,486)	141,584
Machinery and equipment	775,413	61,909	-	837,322
Total capital assets being depreciated	<u>19,440,904</u>	<u>114,142</u>	<u>(21,486)</u>	<u>19,533,560</u>
Less accumulated depreciation for:				
Plant and facilities	(9,236,788)	(433,177)	-	(9,669,965)
Vehicles	(96,850)	(16,420)	21,486	(91,784)
Machinery and equipment	(535,921)	(58,416)	-	(594,337)
Total accumulated depreciation	<u>(9,869,559)</u>	<u>(508,013)</u>	<u>21,486</u>	<u>(10,356,086)</u>
Total capital assets being depreciated, net	<u>9,571,345</u>	<u>(393,871)</u>	<u>-</u>	<u>9,177,474</u>
Business-type activities capital assets, net	<u>\$ 9,978,822</u>	<u>\$ 321,632</u>	<u>\$ -</u>	<u>\$ 10,300,454</u>

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

Governmental activities	
Public safety	\$ 146,264
General government	13,405
Public works	109,440
Cemetery	41
Total depreciation expense - governmental activities	<u>\$ 269,150</u>

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Business-type activities	
Water	\$ 260,298
Sewer	229,590
Park	<u>18,125</u>
Total depreciation expense - business type activities	<u>\$ 508,013</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, 2020	Payments Received	Interest Recognized	Balance June 30, 2021
Lease Receivable	\$ 1,605,181	\$ 44,886	\$ -	\$ 1,560,295
Unearned Interest	<u>348,784</u>	<u>-</u>	<u>18,026</u>	<u>330,758</u>
Lease Receivable, net	<u>\$ 1,953,965</u>	<u>\$ 44,886</u>	<u>\$ (18,026)</u>	<u>\$ 1,891,053</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, 2021. 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, 2021, the leases, notes, and bonds payable from proprietary fund resources consisted of the following:

Interim financing debt	\$ 1,064,353
Current portion proprietary debt	261,209
Noncurrent portion proprietary debt	<u>1,854,535</u>
Total Proprietary Debt Obligations	<u>\$ 3,180,097</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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*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, 2021, was \$691,845 of which \$108,405 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, 2021 was \$431,661 of which \$92,204 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, 2021 was \$992,236 of which \$60,600 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, 2021, 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, 2021, \$1,064,353 has been drawn leaving a balance of \$1,680,711 to draw.

**CITY OF EDDYVILLE, KENTUCKY**  
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**10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

A summary of changes in government-wide activities debt for the year ended June 30, 2021 follows:

	<u>Balance June 30, 2020</u>	<u>Issuance/ (Reductions)</u>	<u>Balance June 30, 2021</u>	<u>Due in One Year</u>
<i>Business Type Activities</i>				
Interim financing				
KIA Fund A Loan - Sewer Rehab	\$ 349,051	\$ 715,302	\$ 1,064,353	\$ -
Leases payable				
BB&T Governmental	\$ 797,641	\$ (105,796)	\$ 691,845	\$ 108,405
Notes payable				
KIA Fund F Loan	521,826	(90,165)	431,661	92,204
KIA Fund A Loan	1,052,384	(60,148)	992,236	60,600
Total Business-Type Activities	<u>\$ 2,371,851</u>	<u>\$ (256,109)</u>	<u>\$ 2,115,742</u>	<u>\$ 261,209</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2021, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 261,209	\$ 35,587	\$ 296,796
2023	266,421	30,067	296,488
2024	271,752	24,424	296,176
2025	277,201	18,657	295,858
2026	232,072	12,763	244,835
2027-2031	441,756	27,996	469,752
2032-2036	331,496	10,316	341,812
2037-2038	33,835	161	33,996
Total	<u>\$ 2,115,742</u>	<u>\$ 159,971</u>	<u>\$ 2,275,713</u>

Total interest expensed for the year ended June 30, 2021

Business-type activities           \$ 47,175

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**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, 2021, 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, 2021 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<b><u>General Fund</u></b>	\$ -	\$ 352,976	\$ (352,976)
<b><u>Special Revenue Funds</u></b>			
Fire Protection	-	1,464	(1,464)
Cemetery fund	-	11	(11)
Alcohol Beverage Fund	-	16,316	(16,316)
<b><u>Business-type funds</u></b>			
Water Fund	351,426	-	351,426
Sewer Fund	40,201	-	40,201
Park Board	-	20,860	(20,860)
Total	<u>\$ 391,627</u>	<u>\$ 391,627</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 Retirement Systems Board of Trustees (KRS Board) established pursuant to Kentucky Revised Statutes (KRS) Section 78.630. KRS Section 61.645 grants the authority to establish and amend the benefit terms to the Kentucky Retirement Systems (Board). All City employees participating in the CERS are classified as having either a hazardous or 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**  
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*Contributions.* State statute requires active members to contribute a percentage of creditable compensation based on the tier.

	<b>Nonhazardous</b>		<b>Hazardous</b>
	<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, 2021 the employer contribution rate were 19.30% and 30.06%, 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, 2021 were \$100,651 which was 100% funded. The requirement consisted of \$54,152 and \$46,499 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, 2021, the City reported a liability of \$1,919,108 (\$815,849 nonhazardous and \$1,103,259 hazardous) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled-forward from the valuation date to June 30, 2020, 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, 2020. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2020, the City's proportion was .010637% for nonhazardous classified employees and .036592% 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	\$ 815,849
City's hazardous proportionate share of the CERS net pension liability	<u>1,103,259</u>
Total CERS net pension liability associated with the City	<u>\$ 1,919,108</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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*Pension expense.* As a result of its requirement to contribute to CERS, the City recognized pension expenses of \$240,740 (\$43,120 nonhazardous and \$197,620 hazardous) for the year ended June 30, 2021. At June 30, 2021, 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>Non-hazardous 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	\$ 20,345	\$ -	\$ 34,216	\$ -
Net differences between projected and actual investment earnings	35,364	14,949	41,779	16,925
Change of assumption	31,858	-	41,842	-
Changes in proportion and differences between employer contributions and share of contributions	-	155,664	1,898	106,500
Contributions subsequent to the measurement date	<u>54,152</u>	<u>-</u>	<u>46,499</u>	<u>-</u>
Totals	<u>\$ 141,719</u>	<u>\$ 170,613</u>	<u>\$ 166,234</u>	<u>\$ 123,425</u>

The \$100,651 (\$54,152 nonhazardous and \$46,499 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, 2022. 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, 2022	\$ (55,122)	\$ 13,991
June 30, 2023	(39,656)	(3,967)
June 30, 2024	3,533	(13,894)
June 30, 2025	<u>8,199</u>	<u>180</u>
Total	<u>\$ (83,046)</u>	<u>\$ (3,690)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<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%



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For CERS, Mortality rates for the period after service retirement are according to the MP-2014 mortality improvement scale using a base year of 2020 for all active and retired employees and beneficiaries. The MP-2014 mortality improvement scale using a base year of 2019 set back four years for male and female is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25)%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash	1.00%	(0.75)%
Total	<u>100.00%</u>	

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

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*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	\$ 1,006,119	\$ 815,849	\$ 658,298
Hazardous	\$ 1,363,471	\$ 1,103,259	\$ 890,857

*Payables to the pension plan.* At June 30, 2021, the financial statements include \$13,784 in contractually required employee and employer contributions primarily for the month ended June 30, 2021. 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 Retirement Systems 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 Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). The City 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 Non-hazardous 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.

*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, 2021, the employer contribution rate was 4.76% and 9.52%, respectively of members' non-hazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2021, were \$28,076, which consisted of \$11,719 and \$14,724 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.

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*Implicit Subsidy* The fully-insured premiums KRS 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, 2021 was \$6,302 for nonhazardous employees and \$1,589 for hazardous employees.

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources* At June 30, 2021, the City reported a net OPEB liability of \$594,817 (\$256,779 nonhazardous and \$338,038 hazardous) for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using generally accepted actuarial principles. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2020, the City's proportion was .010634% for nonhazardous classified employees and .036580% 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	\$ 256,779
City's hazardous proportionate share of the CERS net OPEB liability	<u>338,038</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 594,817</u></u>

For the year ended June 30, 2021, the City recognized OPEB expense of \$65,997 (\$17,701 nonhazardous and \$48,296 hazardous). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-hazardous 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	\$ 42,902	\$ 42,936	\$ 11,600	\$ 33,757
Net differences between projected and actual investment earnings	13,774	5,240	25,031	10,025
Change of assumption	44,664	272	55,147	311
Changes in proportion and differences between employer contributions and share of contributions	-	68,579	-	36,449
Contributions subsequent to the measurement date, including implicit subsidy	<u>18,021</u>	<u>-</u>	<u>16,313</u>	<u>-</u>
Totals	<u><u>\$ 119,361</u></u>	<u><u>\$ 117,027</u></u>	<u><u>\$ 108,091</u></u>	<u><u>\$ 80,542</u></u>

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The \$34,334 (\$18,021 nonhazardous and \$16,313 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Non-Hazardous	Hazardous
June 30, 2022	\$ (3,000)	\$ 5,359
June 30, 2023	(474)	(2,312)
June 30, 2024	(5,278)	5,336
June 30, 2025	(4,362)	4,318
June 30, 2026	(2,573)	(1,465)
Total	\$ (15,687)	\$ 11,236

*Actuarial Assumptions* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.30% - 19.05%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	2.45%
Discount Rate	5.34 % and 5.30 % for non-hazardous and hazardous

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

The long-term expected rate of return 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.

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
US Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25)%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash	1.00%	(0.75)%
Total	<u>100.00%</u>	

*Discount Rate* The discount rate used to measure the total OPEB liability was 5.34% for nonhazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*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 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	1% Decrease	Current Discount Rate 5.34%	1% Increase
The City's proportionate share of the net OPEB liability	<u>4.34%</u>	<u>Rate 5.34%</u>	<u>6.34%</u>
Non-Hazardous	\$ 329,885	\$ 256,779	\$ 196,734

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.30%, 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 (4.30%) or 1-percentage-point higher (6.30%) than the current rate:

	1% Decrease	Current Discount Rate 5.30%	1% Increase
The City's proportionate share of the net OPEB liability	<u>4.30%</u>	<u>Rate 5.30%</u>	<u>6.30%</u>
Hazardous	\$ 458,878	\$ 338,038	\$ 240,666

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

*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	\$ 198,811	\$ 256,779	\$ 327,124
Hazardous	\$ 241,572	\$ 338,038	\$ 456,635

*Payables to the pension plan.* At June 30, 2021, the financial statements include \$3,446 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2021. 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 Retirement Systems 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 the amount recognized as CARES funding receivable.

	<u>Government-Wide</u>	<u>General Fund</u>
Net position July 1, 2020, as previously stated	\$ 3,745,669	\$ 2,264,123
CARES funding	<u>(35,102)</u>	<u>(35,102)</u>
Net position July 1, 2020, restated	<u>\$ 3,710,567</u>	<u>\$ 2,229,021</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, 2021**

	<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>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 450,000	\$ 450,000	\$ 662,899	\$ 212,899
Property	400,000	400,000	438,987	38,987
Restaurant	90,000	90,000	154,614	64,614
Franchise	113,600	113,600	109,342	(4,258)
Insurance premiums	80,000	80,000	101,134	21,134
Other	56,600	56,600	82,462	25,862
License and permits	33,900	33,900	40,225	6,325
Charges for services	233,000	233,000	250,093	17,093
Intergovernmental	31,300	31,300	24,177	(7,123)
Miscellaneous	20,200	20,200	17,203	(2,997)
Interest income	3,000	3,000	13,585	10,585
Total revenues	<u>1,511,600</u>	<u>1,511,600</u>	<u>1,894,721</u>	<u>383,121</u>
<b><u>Expenditures</u></b>				
General government	810,001	810,001	754,033	55,968
Public safety	322,298	322,298	247,590	74,708
Public works	392,107	392,107	229,389	162,718
Capital outlay	5,000	5,000	21,814	(16,814)
Total expenditures	<u>1,529,406</u>	<u>1,529,406</u>	<u>1,252,826</u>	<u>276,580</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>	<u>(17,806)</u>	<u>(17,806)</u>	<u>641,895</u>	<u>659,701</u>
<b><u>Expenditures</u></b>				
<b><u>Other Financing Sources (Uses)</u></b>				
Other financial assistance	-	-	146,740	146,740
Lease revenue	45,000	45,000	44,866	(134)
Proceeds from sale of capital assets	-	-	4,355	4,355
Insurance proceeds	-	-	5,645	5,645
Transfers in(out)	-	-	352,976	352,976
Total other financing sources (uses)	<u>45,000</u>	<u>45,000</u>	<u>554,582</u>	<u>(509,582)</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ 27,194</u>	<u>\$ 27,194</u>	1,196,477	<u>\$ 150,119</u>
<b><u>Fund Balances at Beginning of Year</u></b>			2,264,123	
<b><u>Restatement (See Note 15)</u></b>			<u>(35,102)</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 3,425,498</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, 2021**

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Insurance license tax	\$ 170,000	\$ 170,000	\$ 198,662	\$ 28,662
Intergovernmental	40,000	40,000	30,240	(9,760)
Investment income	1,000	1,000	1,464	464
Total revenues	<u>211,000</u>	<u>211,000</u>	<u>230,366</u>	<u>19,366</u>
<b><u>Expenditures</u></b>				
Public safety	119,020	119,020	99,359	19,661
Capital outlay	236,200	236,200	152,620	83,580
Total expenditures	<u>355,220</u>	<u>355,220</u>	<u>251,979</u>	<u>103,241</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>				
<b><u>Expenditures</u></b>	(144,220)	(144,220)	(21,613)	122,607
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	1,464	1,464
<b><u>Net Change in Fund Balances</u></b>				
	<u>\$ (144,220)</u>	<u>\$ (144,220)</u>	(20,149)	<u>\$ 124,071</u>
<b><u>Fund Balances at Beginning of Year</u></b>			<u>393,911</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 373,762</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Non-Hazardous</u></b>								
City's proportion of the net pension liability (asset)	.010637%	.012933%	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 815,849	\$ 909,584	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 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	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)	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<b><u>Hazardous</u></b>								
City's proportion of the net pension liability (asset)	.036592%	.042281%	.042127%	.043182%	.035460%	.022480%	-	-
City's proportionate share of the net pension liability (asset)	\$ 1,103,259	\$ 1,167,926	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038	\$ -	\$ -
City's covered-employee payroll	\$ 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	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)	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Non-Hazardous</u></b>								
Contractually required contribution	\$ 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>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>
City's covered-employee payroll	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
Contribution as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<b><u>Hazardous</u></b>								
Contractually required contribution	\$ 46,499	\$ 95,631	\$ 59,886	\$ 52,094	\$ 51,463	\$ 52,086	\$ -	\$ -
Contributions in relation to the contractually required contribution	<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>
City's covered-employee payroll	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	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, 2021**

***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.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***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, 2018
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	25 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 11.55%, 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><u>Nonhazardous</u></b>				
City's proportionate share of the net OPEB liability (asset)	0.010634%	0.012929%	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 256,779	\$ 217,460	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 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	91.52%	82.33%	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	60.44%	60.44%	57.62%	52.40%
<b><u>Hazardous</u></b>				
City's proportionate share of the net OPEB liability (asset)	0.036580%	0.042273%	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 338,038	\$ 338,038	\$ 338,038	\$ 356,973
City's covered employee payroll	\$ 154,682	\$ 154,682	\$ 154,682	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	218.54%	147.44%	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	64.44%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous</u></b>				
Statutorily required contributions	\$ 11,719	\$ 15,475	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<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>
Service's covered employee payroll	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	4.76%	4.76%	5.26%	4.70%
<b><u>Hazardous</u></b>				
Statutorily required contributions	\$ 14,724	\$ 28,716	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<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>
Service's covered employee payroll	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	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, 2021**

***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, 2020.

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	25 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 11.55%, varies by services
Payroll growth rate	2.00%, CERS non-hazardous
Investment rate of return	6.25% net of plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 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, 2021**

	Special Revenue Funds			
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	Total Non-Major Governmental Funds
<b><u>Assets</u></b>				
Receivables	\$ -	\$ 8,715	\$ 68	\$ 8,783
Intergovernmental receivables	5,612	-	-	5,612
Restricted assets				
Cash equivalents	-	-	36,911	36,911
Investments	-	-	23,295	23,295
<b><u>Total Assets</u></b>	<b>\$ 5,612</b>	<b>\$ 8,715</b>	<b>\$ 60,274</b>	<b>\$ 74,601</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<b><u>Fund Balances</u></b>				
Restricted for				
Cemetery fund	-	-	60,274	60,274
Municipal aid	5,612	-	-	5,612
Committed for				
Alcoholic beverage control	-	8,715	-	8,715
Total Fund Balances	5,612	8,715	60,274	74,601
<b><u>Total Liabilities and Fund Balances</u></b>	<b>\$ 5,612</b>	<b>\$ 8,715</b>	<b>\$ 60,274</b>	<b>\$ 74,601</b>

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Special Revenue Funds</u>			Total Other Governmental Funds
	<u>Municipal Aid</u>	<u>Alcohol Beverage Fund</u>	<u>Cemetery Fund</u>	
<b><u>Revenues</u></b>				
Regulatory fee	\$ -	\$ 91,524	\$ -	\$ 91,524
Intergovernmental	48,896	-	-	48,896
Cemetery	-	-	7,200	7,200
Interest income	-	-	2,346	2,346
Total Revenues	<u>48,896</u>	<u>91,524</u>	<u>9,546</u>	<u>149,966</u>
<b><u>Expenditures</u></b>				
Public safety	-	109,734	-	109,734
Cemetery maintenance	-	-	11,526	11,526
Capital outlay	47,064	-	-	47,064
Total Expenditures	<u>47,064</u>	<u>109,734</u>	<u>11,526</u>	<u>168,324</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	1,832	(18,210)	(1,980)	(18,358)
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	-	16,316	11	16,327
<b><u>Net Change in Fund Balances</u></b>	1,832	(1,894)	(1,969)	(2,031)
<b><u>Fund Balances - Beginning of Year</u></b>	<u>3,780</u>	<u>10,609</u>	<u>62,243</u>	<u>76,632</u>
<b><u>Fund Balances - End of Year</u></b>	<u>\$ 5,612</u>	<u>\$ 8,715</u>	<u>\$ 60,274</u>	<u>\$ 74,601</u>

**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**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 John Choat  
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, 2021, 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 24, 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 2021-1 and Item 2021-2).

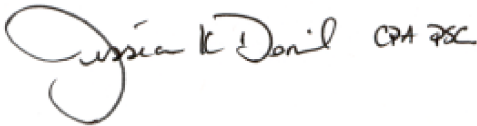
Compliance and other Matters

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 24, 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 75C

Eddyville, Kentucky  
March 24, 2022

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF 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.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-1: 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.

**2020-2: 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.