

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF EDDYVILLE, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
TABLE OF CONTENTS

	Page
Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	9 - 10
Statement of Activities.....	11
Fund Financial Statements	
<u>Governmental Funds</u>	
Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances.....	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	15
 <u>Proprietary Funds</u>	
Statement of Net Position.....	16 - 17
Statement of Revenues, Expenses and Changes in Fund Net Position.....	18
Statement of Cash Flows.....	19
Notes to Basic Financial Statements.....	20 - 44
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund.....	46
Fire Protection Fund.....	47
County Employees Retirement System	
Schedule of City's Proportionate Share of Net Pension Liability.....	48
Schedule of City Contributions to the Net Pension Liability	49
County Employees Retirement System OPEB	
Schedule of City's Proportionate Share of Net OPEB Liability.....	50
Schedule of City Contributions to the Net OPEB Liability	51
Combining and Individual Fund Statements	
Combining Financial Statements - Non-Major Governmental Funds:	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes In Fund Balances.....	54
Compliance and Internal Control Section	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Schedule of Findings and Responses.....	57

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

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, 2020, 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, 2020, 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 46-51 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.

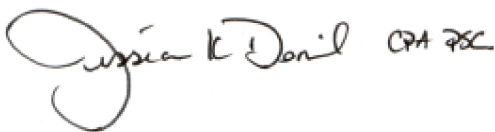
Other Information

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 April 2, 2021 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
April 2, 2021

**CITY OF EDDYVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(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, 2020. 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, 2020:

- 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 2020 fiscal year by \$10,945,407 (Net Position). Of this amount, \$1,704,208 represents the unrestricted net position.
- The City's total net position increased by \$142,270 during the year. Governmental activities increased the City's net position by \$396,997, and business-type activities decreased the City's net position by \$254,727.
- As of June 30, 2020, the City's governmental funds reported combined fund balances of \$2,734,666. Over 82% of this total amount, or \$2,238,664, is unassigned and available for spending at the City's discretion.
- As of June 30, 2020, unassigned fund balances for the General Fund were \$2,238,664.
- The City's total long-term debt obligations decreased by \$591,118 from the prior year.

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 46-51. 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 53 and 54 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, 2020, the City received \$168,815 in operating and capital grants. Revenue from taxes decreased approximately \$20,298 from June 30, 2019 to \$1,767,022. Expenses directly related to programs offered by the city decreased \$154,762 to \$3,635,585. The Statement of Activities reflects the current year increase in net position of \$142,270.

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>2020</u>	<u>2019</u>
Current and other assets	\$ 3,733,713	\$ 3,118,114
Noncurrent assets, net	<u>13,012,397</u>	<u>13,354,601</u>
Total Assets	<u>16,746,110</u>	<u>16,472,715</u>
Deferred outflows of resources	<u>704,394</u>	<u>814,644</u>
Total Assets and Deferred Outflows of Resources	<u>17,450,504</u>	<u>17,287,359</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,723,474	4,907,076
Other liabilities	<u>1,020,925</u>	<u>902,984</u>
Total Liabilities	<u>5,744,399</u>	<u>5,810,060</u>
Deferred inflows of resources	<u>760,698</u>	<u>674,162</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,505,097</u>	<u>6,484,222</u>
Net Position:		
Invested in capital assets net of related debt	8,686,314	8,742,325
Restricted	554,885	553,246
Unrestricted	<u>1,704,208</u>	<u>1,507,566</u>
Total Net Position	<u>\$ 10,945,407</u>	<u>\$ 10,803,137</u>

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

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues		
Charges for services	\$ 1,630,076	\$ 1,642,607
Grants and contributions	168,815	204,275
General revenues:		
Taxes	1,767,022	1,787,320
Other	31,370	29,807
Insurance proceeds	20,377	18,059
Gain (loss) on disposal of capital assets	-	18,655
Other financial assistance	127,429	-
Investment earnings	<u>32,766</u>	<u>31,780</u>
Total revenues	<u>3,777,855</u>	<u>3,732,503</u>
Expenses		
General government	747,274	797,306
Public safety	989,759	1,062,657
Public works	393,731	433,001
Cemetery	12,324	15,251
Interest expense	9,383	19,308
Business-type activities	<u>1,483,114</u>	<u>1,463,022</u>
Total Expenses	<u>3,635,585</u>	<u>3,790,545</u>
Change in net position	142,270	(58,042)
Net position - beginning, restated	<u>10,803,137</u>	<u>10,861,179</u>
Net position - ending	<u>\$ 10,945,407</u>	<u>\$ 10,803,137</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated expenditures to exceed revenues by \$183,582. Transfers from other funds were sufficient to cover the deficit. The budgeted operating revenue exceeded actual revenue by \$68,165 in the General Fund. Budgeted expenditures were greater than actual expenditures by \$360,563. The budgetary figures and actual amounts are reported in the supplementary information on page 46.

The original and final Fire Protection Fund budget passed by the city council anticipated revenues to exceed expenditures by \$82,000. The budgeted revenues exceeded actual revenues received by \$24,155 in the Fire Protection Fund. Budgeted expenditures exceeded actual expenditures by \$28,685. The budgetary figures and actual amounts are reported in the supplementary information on page 47.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets as of June 30, 2020 amounted to \$11,407,216 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2020	2019
Governmental activities		
Capital assets, not being depreciated		
Land	\$ 80,445	\$ 106,445
Total capital assets, not being depreciated	80,445	106,445
Capital assets, being depreciated (net):		
Infrastructure	439,808	480,477
Buildings and improvements	352,646	370,247
Machinery and equipment	489,428	637,977
Vehicles	65,037	63,223
Total capital assets, being depreciated (net)	1,346,919	1,551,924
Governmental activities capital assets, net	\$ 1,427,364	\$ 1,658,369
 Business-type activities:		
	2020	2019
Capital assets, not being depreciated:		
Land	\$ 58,426	\$ 58,426
Construction in progress	349,051	-
Total capital assets, not being depreciated (net)	407,477	58,426
Capital assets, being depreciated:		
Buildings and improvements	9,317,142	9,748,378
Machinery and equipment	235,441	205,147
Vehicles	19,792	34,975
Total capital assets, being depreciated (net)	9,572,375	9,988,500
Business-type activities capital assets, net	\$ 9,979,852	\$ 10,046,926

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 \$2,720,902 respectively. General Fund debt was paid in full during fiscal year ending June 30, 2020. Interest expense for 2020 was \$9,383. 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 \$256,108, and the remainder is scheduled to be paid out in 2037. Interest expense paid by the proprietary funds for 2020 was \$41,674. 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 available funds total \$423,964. As of June 30, 2020, \$349,051 was received or receivable leaving a balance of \$74,913 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, 2020

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<u>Assets</u>			
Current Assets			
Cash equivalents	\$ 2,270,623	\$ -	\$ 2,270,623
Investments	8,484	-	8,484
Accounts receivable (net)			
Taxes	229,261	-	229,261
Fees and services	24,070	128,402	152,472
Unbilled revenue	10,361	59,447	69,808
Other receivables	121,799	5,845	127,644
Interim financing receivable	-	137,069	137,069
Intergovernmental receivables	131,209	-	131,209
Inventory	-	44,571	44,571
Prepaid expenses	14,439	5,580	20,019
Restricted assets			
Cash equivalents	31,135	488,400	519,535
Investments	23,018	-	23,018
Total current assets	<u>2,864,399</u>	<u>869,314</u>	<u>3,733,713</u>
Noncurrent Assets			
Lease receivable	1,605,181	-	1,605,181
Capital assets, net of depreciation	<u>1,427,364</u>	<u>9,979,852</u>	<u>11,407,216</u>
Total noncurrent assets	<u>3,032,545</u>	<u>9,979,852</u>	<u>13,012,397</u>
Total Assets	<u>5,896,944</u>	<u>10,849,166</u>	<u>16,746,110</u>
<u>Deferred Outflows of Resources</u>			
Related to pensions and other postemployment benefits	<u>545,085</u>	<u>159,309</u>	<u>704,394</u>
Total Deferred Outflows of Resources	<u>545,085</u>	<u>159,309</u>	<u>704,394</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	78,692	177,747	256,439
Taxes withheld and accrued	4,983	-	4,983
Meter deposits payable	-	107,216	107,216
Accrued employee benefits	22,104	15,464	37,568
Accrued interest	-	9,560	9,560
Interim financing	-	349,051	349,051
Long-term debt due in one year	-	256,108	256,108
Total current liabilities	<u>105,779</u>	<u>915,146</u>	<u>1,020,925</u>
Non-current liabilities			
Net pension and other post employment benefit liabilities	1,976,586	631,145	2,607,731
Long-term debt due after one year	-	2,115,743	2,115,743
Total non-current liabilities	<u>1,976,586</u>	<u>2,746,888</u>	<u>4,723,474</u>
Total Liabilities	<u>2,082,365</u>	<u>3,662,034</u>	<u>5,744,399</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	23,954	-	23,954
Unearned interest revenue	348,784	-	348,784
Related to pensions and other postemployment benefits	241,257	146,703	387,960
Total Deferred Inflows of Resources	613,995	146,703	760,698
<u>Net Position</u>			
Net invested in capital assets	1,427,364	7,258,950	8,686,314
Restricted for			
Debt service	-	488,400	488,400
Public safety	462	-	462
Public works	3,780	-	3,780
Cemetery fund	62,243	-	62,243
Unrestricted	2,251,820	(547,612)	1,704,208
Total Net Position	\$ 3,745,669	\$ 7,199,738	\$ 10,945,407

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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		Total
					Governmental Activities	Business-type Activities	
<u>Governmental activities</u>							
General government	\$ 747,274	\$ 255,346	\$ -	\$ -	\$ (491,928)	\$ -	\$ (491,928)
Public safety	989,759	6,375	115,645	-	(867,739)	-	(867,739)
Public works	393,731	-	50,170	-	(343,561)	-	(343,561)
Cemetery maintenance	12,324	-	-	-	(12,324)	-	(12,324)
Interest on long-term debt	9,383	-	-	-	(9,383)	-	(9,383)
Total governmental activities	<u>2,152,471</u>	<u>261,721</u>	<u>165,815</u>	<u>-</u>	<u>(1,724,935)</u>	<u>-</u>	<u>(1,724,935)</u>
<u>Business-type activities</u>							
Water system	693,489	795,973	-	-	-	102,484	102,484
Sewer system	745,869	565,762	-	-	-	(180,107)	(180,107)
Park	43,756	6,620	-	3,000	-	(34,136)	(34,136)
Total business-type activities	<u>1,483,114</u>	<u>1,368,355</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>(111,759)</u>	<u>(111,759)</u>
Total Primary Government	<u>\$ 3,635,585</u>	<u>\$ 1,630,076</u>	<u>\$ 165,815</u>	<u>\$ 3,000</u>	<u>(1,724,935)</u>	<u>(111,759)</u>	<u>(1,836,694)</u>
<u>General Revenues and Transfers</u>							
Taxes							
Occupational					646,644	-	646,644
Property taxes					398,189	-	398,189
Insurance premium tax					255,758	-	255,758
Restaurant tax					139,239	-	139,239
Franchise tax					127,975	-	127,975
Regulatory fees					91,901	-	91,901
Other taxes					68,072	-	68,072
Business license					39,244	-	39,244
Miscellaneous					23,570	-	23,570
Cemetery					7,800	-	7,800
Interest income					32,766	-	32,766
Other financial assistance					127,429	-	127,429
Insurance Proceeds					3,182	17,195	20,377
Transfers					160,163	(160,163)	-
Total General Revenues and Transfers					<u>2,121,932</u>	<u>(142,968)</u>	<u>1,978,964</u>
<u>Change in Net Position</u>							
					396,997	(254,727)	142,270
<u>Net Position at Beginning of Year</u>							
					<u>3,348,672</u>	<u>7,454,465</u>	<u>10,803,137</u>
<u>Net Position at End of Year</u>							
					<u>\$ 3,745,669</u>	<u>\$ 7,199,738</u>	<u>\$ 10,945,407</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash equivalents	\$ 2,017,870	\$ 252,753	\$ -	\$ 2,270,623
Investments	-	-	8,484	8,484
Accounts Receivable				
Taxes	229,261	-	-	229,261
Fees and services	24,070	-	-	24,070
Other receivables	66,579	44,543	10,677	121,799
Unbilled revenue	10,361	-	-	10,361
Intergovernmental receivable	127,429	-	3,780	131,209
Prepaid expenses	14,439	-	-	14,439
Due from other funds	-	101,655	-	101,655
Restricted assets				
Cash equivalents	462	-	30,673	31,135
Investments	-	-	23,018	23,018
<u>Total Assets</u>	<u>\$ 2,490,471</u>	<u>\$ 398,951</u>	<u>\$ 76,632</u>	<u>\$ 2,966,054</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 73,652	\$ 5,040	\$ -	\$ 78,692
Accrued payroll and related expenses	4,983	-	-	4,983
Accrued employee benefits	22,104	-	-	22,104
Due to other funds	101,655	-	-	101,655
Total Liabilities	<u>202,394</u>	<u>5,040</u>	<u>-</u>	<u>207,434</u>
<u>Deferred Inflows of Resources</u>				
Property Taxes	<u>23,954</u>	<u>-</u>	<u>-</u>	<u>23,954</u>
<u>Fund Balances</u>				
Nonspendable				
Prepaid expenses	14,439	-	-	14,439
Restricted for				
Cemetery fund	-	-	62,243	62,243
Municipal aid	-	-	3,780	3,780
Public safety	462	-	-	462
Committed for				
Fire protection fund	-	393,911	-	393,911
Alcoholic beverage control	-	-	10,609	10,609
Assigned for				
Employee Benefits	10,558	-	-	10,558
Unassigned	<u>2,238,664</u>	<u>-</u>	<u>-</u>	<u>2,238,664</u>
Total Fund Balances	<u>2,264,123</u>	<u>393,911</u>	<u>76,632</u>	<u>2,734,666</u>
<u>Total Liabilities, Deferred Inflows and Fund Balances</u>	<u>\$ 2,490,471</u>	<u>\$ 398,951</u>	<u>\$ 76,632</u>	<u>\$ 2,966,054</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2020

Fund Balances - Total Governmental Funds \$ 2,734,666

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	\$ 3,736,519	
Less accumulated depreciation	<u>(2,309,155)</u>	1,427,364

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

Lease receivable		1,605,181
------------------	--	-----------

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	(348,784)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,672,758)</u>	<u>(2,021,542)</u>

Net Position of Governmental Activities **\$ 3,745,669**

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes				
Occupational	\$ 646,644	\$ -	\$ -	\$ 646,644
Property	398,189	-	-	398,189
Insurance premiums	92,934	162,824	-	255,758
Restaurant	139,239	-	-	139,239
Franchise	127,975	-	-	127,975
Regulatory fees	-	-	91,901	91,901
Other	68,072	-	-	68,072
License and permits	39,244	-	-	39,244
Charges for services	255,346	6,375	-	261,721
Intergovernmental	82,328	35,000	48,487	165,815
Miscellaneous	23,470	100	-	23,570
Investment income	12,030	1,046	620	13,696
Cemetery	-	-	7,800	7,800
Total Revenues	<u>1,885,471</u>	<u>205,345</u>	<u>148,808</u>	<u>2,239,624</u>
<u>Expenditures</u>				
Current				
General government	764,947	-	-	764,947
Public safety	380,058	118,815	109,195	608,068
Public works	242,524	-	50,693	293,217
Cemetery maintenance	-	-	11,699	11,699
Debt service	350,200	-	-	350,200
Capital outlay	38,926	-	13,147	52,073
Total Expenditures	<u>1,776,655</u>	<u>118,815</u>	<u>184,734</u>	<u>2,080,204</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>	<u>108,816</u>	<u>86,530</u>	<u>(35,926)</u>	<u>159,420</u>
<u>Other Financing Sources (Uses)</u>				
Other financial assistance	127,429	-	-	127,429
Lease revenue	44,125	-	-	44,125
Proceeds from sale of capital assets	26,000	-	-	26,000
Insurance proceeds	3,182	-	-	3,182
Transfers in	128,272	1,146	30,745	160,163
Total Other Financing Sources (Uses)	<u>329,008</u>	<u>1,146</u>	<u>30,745</u>	<u>360,899</u>
<u>Net Change in Fund Balances</u>	<u>437,824</u>	<u>87,676</u>	<u>(5,181)</u>	<u>520,319</u>
<u>Fund Balances at Beginning of Year</u>	<u>1,826,299</u>	<u>306,235</u>	<u>81,813</u>	<u>2,214,347</u>
<u>Fund Balances at End of Year</u>	<u>\$ 2,264,123</u>	<u>\$ 393,911</u>	<u>\$ 76,632</u>	<u>\$ 2,734,666</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, 2020

Net Change in Fund Balance - Total Governmental Funds \$ 520,319

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	\$ 52,073	
Less current year depreciation	<u>(257,077)</u>	(205,004)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. (26,000)

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	(44,125)	
Recognized unearned income	<u>19,070</u>	(25,055)

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. (208,078)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide Statement of Activities. 340,000

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. 815

Changes in Net Position of Governmental Activities **\$ 396,997**

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

<u>ASSETS</u>	Business-type Activities Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	Total
<u>Current Assets</u>				
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables, net				
Fees and services	73,955	54,447	-	128,402
Unbilled revenue	34,971	24,476	-	59,447
Other	-	5,845	-	5,845
Interim financing	-	137,069	-	137,069
Inventory	39,351	5,220	-	44,571
Prepaid expenses	2,790	2,790	-	5,580
Restricted assets				
Cash equivalents	488,400	-	-	488,400
Total Current Assets	639,467	229,847	-	869,314
<u>Noncurrent Assets</u>				
Property, plant, and equipment, net of accumulated depreciation	4,499,535	5,369,000	111,317	9,979,852
Total Noncurrent Assets	4,499,535	5,369,000	111,317	9,979,852
Total Assets	5,139,002	5,598,847	111,317	10,849,166
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Related to pensions and other postemployment benefits	80,564	78,745	-	159,309
Total deferred outflows of resources	80,564	78,745	-	159,309
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts payable	14,211	163,536	-	177,747
Meter deposits payable	107,216	-	-	107,216
Accrued employee benefits	7,732	7,732	-	15,464
Accrued interest payable	8,935	625	-	9,560
Interim financing	-	349,051	-	349,051
Long-term debt due in one year	195,960	60,148	-	256,108
Total Current Liabilities	334,054	581,092	-	915,146
<u>Noncurrent Liabilities</u>				
Net pension and other postemployment benefit liabilities	315,573	315,572	-	631,145
Long-term debt due after one year	1,123,507	992,236	-	2,115,743
Total Noncurrent Liabilities	1,439,080	1,307,808	-	2,746,888
Total Liabilities	1,773,134	1,888,900	-	3,662,034

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Related to pensions and other postemployment benefits	<u>73,352</u>	<u>73,351</u>	<u>-</u>	<u>146,703</u>
Total deferred inflows of resources	<u>73,352</u>	<u>73,351</u>	<u>-</u>	<u>146,703</u>
<u>NET POSITION</u>				
Net invested in capital assets	3,180,068	3,967,565	111,317	7,258,950
Restricted for debt service	488,400	-	-	488,400
Unrestricted	<u>(295,388)</u>	<u>(252,224)</u>	<u>-</u>	<u>(547,612)</u>
Total Net Position	<u><u>\$ 3,373,080</u></u>	<u><u>\$ 3,715,341</u></u>	<u><u>\$ 111,317</u></u>	<u><u>\$ 7,199,738</u></u>

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, 2020

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>Operating Revenues</u>				
Charges for services	\$ 795,973	\$ 565,762	\$ 6,457	\$ 1,368,192
Miscellaneous	-	-	163	163
Total Operating Revenues	<u>795,973</u>	<u>565,762</u>	<u>6,620</u>	<u>1,368,355</u>
<u>Operating Expenses</u>				
Depreciation	254,902	219,670	16,180	490,752
Repairs and maintenance	57,836	167,899	3,450	229,185
Employee benefits	98,298	100,469	-	198,767
Utilities	73,085	104,742	7,667	185,494
Salaries and wages	79,905	79,082	9,553	168,540
Insurance	32,827	26,605	3,590	63,022
Materials and supplies	39,424	8,467	991	48,882
Miscellaneous	3,918	18,995	980	23,893
Taxes	6,486	6,117	957	13,560
Gasoline, oil and grease	4,965	3,274	-	8,239
Office supplies	7,131	52	-	7,183
Loan fees	1,176	2,194	-	3,370
Cost of sales	-	-	388	388
Bad debt expense	55	110	-	165
Total Operating Expenses	<u>660,008</u>	<u>737,676</u>	<u>43,756</u>	<u>1,441,440</u>
<u>Income (Loss) from Operations</u>	<u>135,965</u>	<u>(171,914)</u>	<u>(37,136)</u>	<u>(73,085)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Insurance proceeds	1,552	15,643	-	17,195
Grant proceeds	-	-	3,000	3,000
Interest expense	(33,481)	(8,193)	-	(41,674)
Total Nonoperating Revenues (Expenses)	<u>(31,929)</u>	<u>7,450</u>	<u>3,000</u>	<u>(21,479)</u>
<u>Income (Loss) Before Contributions and Transfers</u>	104,036	(164,464)	(34,136)	(94,564)
Transfers (out)	(182,651)	(9,780)	-	(192,431)
Transfers in	-	-	32,268	32,268
<u>Change in Net Position</u>	<u>(78,615)</u>	<u>(174,244)</u>	<u>(1,868)</u>	<u>(254,727)</u>
<u>Net Position at Beginning of Year</u>	<u>3,451,695</u>	<u>3,889,585</u>	<u>113,185</u>	<u>7,454,465</u>
<u>Net Position at End of Year</u>	<u>\$ 3,373,080</u>	<u>\$ 3,715,341</u>	<u>\$ 111,317</u>	<u>\$ 7,199,738</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 808,427	\$ 569,680	\$ 7,607	\$ 1,385,714
Cash payments to suppliers for goods and services	(290,319)	(381,581)	(21,347)	(693,247)
Cash payments to employees for services	(80,970)	(86,457)	(11,729)	(179,156)
Net Cash Provided (Used) By Operating Activities	<u>437,138</u>	<u>101,642</u>	<u>(25,469)</u>	<u>513,311</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	-	-	32,268	32,268
Transfers out	(182,651)	(9,780)	-	(192,431)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(182,651)</u>	<u>(9,780)</u>	<u>32,268</u>	<u>(160,163)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Grant proceeds	-	-	3,000	3,000
Insurance proceeds	1,552	9,798	-	11,350
Principal paid on debt	(191,420)	(59,700)	-	(251,120)
Proceeds from long-term debt	-	211,982	-	211,982
Acquisition of property, plant and equipment	(27,584)	(245,713)	(9,999)	(283,296)
Interest paid on debt	(34,674)	(8,229)	-	(42,903)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(252,126)</u>	<u>(91,862)</u>	<u>(6,999)</u>	<u>(350,987)</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	2,361	-	(200)	2,161
<u>Cash and Cash Equivalents at Beginning of Year</u>	486,039	-	200	486,239
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 488,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,400</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u>				
<u>By Operating Activities</u>				
Operating income (loss)	\$ 135,965	\$ (171,914)	\$ (37,136)	\$ (73,085)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	254,902	219,670	16,180	490,752
Change in assets and liabilities				
Decrease (increase) in accounts receivable	11,413	3,918	987	16,318
Decrease (increase) in prepayments	1,129	1,129	-	2,258
Decrease (increase) in inventory	27	(641)	-	(614)
Decrease (increase) in deferred outflows of resources	(5,555)	(3,728)	-	(9,283)
Increase (decrease) in accounts payable	(5,042)	9,958	(3,262)	1,654
Increase (decrease) in accrued liabilities	870	(428)	(2,238)	(1,796)
Increase (decrease) in deferred pension liability	8,698	34,730	-	43,428
Increase (decrease) in deferred inflows of resources	34,731	8,698	-	43,429
Net Cash Provided (Used) by Operating Activities	<u>\$ 437,138</u>	<u>\$ 101,392</u>	<u>\$ (25,469)</u>	<u>\$ 513,061</u>
<u>Reconciliation of Total Cash</u>				
Current Assets - Cash	\$ -	\$ -	\$ -	\$ -
Restricted Assets - Cash	488,400	-	-	488,400
Total Cash	<u>\$ 488,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,400</u>
<u>Non-Cash Investing, Capital and Related Financing Activities - none</u>				

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020

C. Measurement Focus/Basis of Accounting

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

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

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

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

D. Budgets

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

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

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 .

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, 2020 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

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

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

K. Capital Assets

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

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

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

L. Unearned Revenue

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

M. Compensated Absences

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

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

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

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

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

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

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 as fair value.

S. Postemployment Benefits Other Than Pensions (OPEB)

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

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2021. 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, 2020, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 95

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

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

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.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

W. Subsequent Events

The City has evaluated subsequent events through April 2, 2021, 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. However, the City is expected to receive approximately \$127,429 from the CARES Act Funding to assist with COVID-19 related expenses. It is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations, if any.

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, 2020.

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	\$ 2,269,823	\$ -	\$ 2,270,623
Investments	-	8,484	-	8,484
Restricted assets				
Cash equivalents	-	519,535	-	519,535
Investments	-	23,018	-	23,018
Total	<u>\$ 800</u>	<u>\$ 2,820,860</u>	<u>\$ -</u>	<u>\$ 2,821,660</u>

B. Deposits

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$2,821,660 the bank balance was \$2,854,141. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$1,044,279 was held in an Insured Cash Sweep Account (ICS), \$500,000 was covered by federal depository insurance, and \$1,309,862 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

C. Investments

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City 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.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 Fund - Rolling Hills Branch Banking & Trust	11/5/2020	\$ 8,484
Cemetery Trust - Hickory Grove Fredonia Valley Bank	3/31/2022	<u>23,018</u>
Total Investments		<u>\$ 31,502</u>

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, 2020, taxes were levied on October 31, 2019 and payable on December 1, 2019. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.341 per \$100 of assessed valuation of real property, and \$0.2407 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, 2020.

<u>Cemetery Restricted Assets</u>	
Cemetery funds	\$ 62,243
<u>Public Safety Restricted Assets</u>	
Municipal Road Aid funds	3,780
<u>Public Works Restricted Assets</u>	
Federal Forfeiture Treasury funds	462
<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	<u>488,400</u>
Total Restricted Net Position	<u>\$ 554,885</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

6. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2020 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 106,445	\$ -	\$ (26,000)	\$ 80,445
Total capital assets not being depreciated	<u>106,445</u>	<u>-</u>	<u>(26,000)</u>	<u>80,445</u>
Capital assets being depreciated:				
Infrastructure	938,246	13,147	-	951,393
Buildings and improvements	624,013	-	-	624,013
Machinery and equipment	1,778,662	13,344	-	1,792,006
Vehicles	263,081	25,581	-	288,662
Total capital assets being depreciated	<u>3,604,002</u>	<u>52,072</u>	<u>-</u>	<u>3,656,074</u>
Less accumulated depreciation for:				
Infrastructure	(457,769)	(53,816)	-	(511,585)
Buildings and improvements	(253,766)	(17,601)	-	(271,367)
Machinery and equipment	(1,140,685)	(161,893)	-	(1,302,578)
Vehicles	(199,858)	(23,767)	-	(223,625)
Total accumulated depreciation	<u>(2,052,078)</u>	<u>(257,077)</u>	<u>-</u>	<u>(2,309,155)</u>
Total capital assets being depreciated, net	<u>1,551,924</u>	<u>(205,005)</u>	<u>-</u>	<u>1,346,919</u>
Governmental activities capital assets, net	<u>\$ 1,658,369</u>	<u>\$ (205,005)</u>	<u>\$ (26,000)</u>	<u>\$ 1,427,364</u>

Business-type Activities

A summary of property, plant, and equipment at June 30, 2020 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	-	349,051
Total capital assets not being depreciated	<u>58,426</u>	<u>349,051</u>	<u>-</u>	<u>407,477</u>
Capital assets being depreciated:				
Plant and facilities	18,553,162	-	-	18,553,162
Vehicles	116,642	-	-	116,642
Machinery and equipment	696,473	74,628	-	771,101
Total capital assets being depreciated	<u>19,366,277</u>	<u>74,628</u>	<u>-</u>	<u>19,440,905</u>
Less accumulated depreciation for:				
Plant and facilities	(8,804,785)	(431,235)	-	(9,236,020)
Vehicles	(81,667)	(15,183)	-	(96,850)
Machinery and equipment	(491,326)	(44,334)	-	(535,660)
Total accumulated depreciation	<u>(9,377,778)</u>	<u>(490,752)</u>	<u>-</u>	<u>(9,868,530)</u>
Total capital assets being depreciated, net	<u>9,988,499</u>	<u>(416,124)</u>	<u>-</u>	<u>9,572,375</u>
Business-type activities capital assets, net	<u>\$ 10,046,925</u>	<u>\$ (67,073)</u>	<u>\$ -</u>	<u>\$ 9,979,852</u>

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

Governmental activities	
Public safety	\$ 129,622
General government	13,560
Public works	113,270
Cemetery	625
Total depreciation expense - governmental activities	<u>\$ 257,077</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Business-type activities	
Water	\$ 254,902
Sewer	219,670
Park	<u>16,180</u>
Total depreciation expense - business type activities	<u>\$ 490,752</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, 2019	Payments Received	Interest Recognized	Balance June 30, 2020
Lease Receivable	\$ 1,649,306	\$ 44,125	\$ -	\$ 1,605,181
Unearned Interest	<u>(367,854)</u>	<u>-</u>	<u>(19,070)</u>	<u>(348,784)</u>
Lease Receivable, net	<u>\$ 1,281,452</u>	<u>\$ 44,125</u>	<u>\$ 19,070</u>	<u>\$ 1,256,397</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, 2020. 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, 2020, the leases, notes, and bonds payable from proprietary fund resources consisted of the following:

Interim financing debt	\$ 349,051
Current portion proprietary debt	256,108
Noncurrent portion proprietary debt	<u>2,115,743</u>
Total Proprietary Debt Obligations	<u>\$ 2,720,902</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

General Bond Obligation

General Obligation Refunding Bonds, Series 2011 - On January 6, 2011, the City issued General Obligation Refunding Bonds, Series 2011 to refund existing debt for both the general fund and the sewer fund. The bond issue calls for semiannual interest payments at interest rates ranging from 2% to 3% and varying annual principal payments with the final payment due in 2020. The issue is backed by the full faith and credit of the City. The bonds were issued in the amount of \$2,850,000. The bond was paid in full during the fiscal year ending June 30, 2020.

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, 2020, was \$797,641 of which \$105,796 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, 2020 was \$521,826 of which \$90,164 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, 2020 was \$1,052,384 of which \$60,148 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, 2020, \$349,051 of the total \$423,964 was received or receivable.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide activities debt for the year ended June 30, 2020 follows:

	<u>Balance June 30, 2019</u>	<u>Issuance/ (Reductions)</u>	<u>Balance June 30, 2020</u>	<u>Due in One Year</u>
<i><u>Governmental Activities</u></i>				
Bonds payable:				
Refunding Bonds, Series 2011	\$ 340,000	\$ (340,000)	\$ -	\$ -
Total Governmental Activities	<u>340,000</u>	<u>(340,000)</u>	<u>-</u>	<u>-</u>
<i><u>Business Type Activities</u></i>				
Interim financing:				
KIA Fund A Loan - Sewer Rehab	\$ -	\$ 349,051	\$ 349,051	\$ -
Leases payable:				
BB&T Governmental	\$ 900,891	\$ (103,250)	\$ 797,641	\$ 105,796
Notes Payable				
KIA Fund F Loan	609,995	(88,169)	521,826	90,164
KIA Fund A Loan	1,112,083	(59,699)	1,052,384	60,148
Total Business-Type Activities	<u>\$ 2,622,969</u>	<u>\$ (251,118)</u>	<u>\$ 2,371,851</u>	<u>\$ 256,108</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2020, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 256,108	\$ 41,805	\$ 297,913
2022	261,114	36,042	297,156
2023	267,026	30,131	297,157
2024	273,091	24,066	297,157
2025	279,313	17,843	297,156
2026-2030	605,043	30,931	635,974
2031-2035	329,023	10,617	339,640
2036-2038	101,133	759	101,892
Total	<u>\$ 2,371,851</u>	<u>\$ 192,194</u>	<u>\$ 2,564,045</u>

Total interest expensed for the year ended June 30, 2020:

Governmental activities	\$ 9,383
Business-type activities	<u>41,674</u>
	<u>\$ 51,057</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 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, 2020 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<u>General Fund</u>	\$ -	\$ 128,272	\$ (128,272)
<u>Special Revenue Funds</u>			
Fire protection	-	1,146	(1,146)
Cemetery fund	-	11,924	(11,924)
Alcohol beverage fund	-	18,821	(18,821)
<u>Business-type funds</u>			
Water fund	182,651	-	182,651
Sewer fund	9,780	-	9,780
Park board	-	32,268	(32,268)
Total	<u>\$ 192,431</u>	<u>\$ 192,431</u>	<u>\$ -</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

14. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A summary of change in deferred outflows/inflows of resources is as follows:

	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>
Pensions				
<i>Deferred outflows of resources:</i>				
Deferred pension contributions	\$ 112,799	\$ 160,125	\$ (112,799)	\$ 160,125
Changes in proportion and differences between employer and contributions and proportionate share of contributions	115,445	-	(96,395)	19,050
Differences between expected and actual experience	111,792	-	(38,946)	72,846
Change in assumptions	200,468	4,962	-	205,430
Difference between projected and actuarial earnings	<u>81,546</u>	<u>-</u>	<u>(46,119)</u>	<u>35,427</u>
Pension related deferred outflows	<u>\$ 622,050</u>	<u>\$ 165,087</u>	<u>\$ (294,259)</u>	<u>\$ 492,878</u>
<i>Deferred inflows of resources:</i>				
Changes in proportion and differences between employer and contributions and proportionate share of contributions	\$ 24,980	\$ 87,725	\$ -	\$ 112,705
Differences between expected and actual experience	13,782	-	(9,939)	3,843
Difference between projected and actuarial earnings	<u>55,073</u>	<u>11,546</u>	<u>-</u>	<u>66,619</u>
Pension related deferred inflows	<u>\$ 93,835</u>	<u>\$ 99,271</u>	<u>\$ (9,939)</u>	<u>\$ 183,167</u>
Other Post-employment Benefits (OPEB)				
	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>
<i>Deferred outflows of resources:</i>				
Deferred OPEB contributions	\$ 42,372	\$ 44,191	\$ (42,372)	\$ 44,191
Subsidy	3,232	1,661	-	4,893
Difference between projected and actuarial earnings	-	3,569	-	3,569
Change in assumptions	<u>146,991</u>	<u>11,872</u>	<u>-</u>	<u>158,863</u>
OPEB related deferred outflows	<u>\$ 192,595</u>	<u>\$ 61,293</u>	<u>\$ (42,372)</u>	<u>\$ 211,516</u>
<i>Deferred inflows of resources:</i>				
Changes in proportion and differences between employer and contributions and proportionate share of contributions	\$ 13,747	\$ 35,017	\$ -	\$ 48,764
Differences between expected and actual experience	65,553	58,244	-	123,797
Change in assumptions	1,456	-	(434)	1,022
Difference between projected and actuarial earnings	<u>47,462</u>	<u>-</u>	<u>(16,252)</u>	<u>31,210</u>
OPEB related deferred inflows	<u>\$ 128,218</u>	<u>\$ 93,261</u>	<u>\$ (16,686)</u>	<u>\$ 204,793</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

15. 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
	Reduced retirement	Age of 57 or older and sum of service years plus age equal 87 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
	Reduced retirement	Age of 57 or older and sum of service years plus age equal 87 Not available

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service an any age
	Reduced retirement	Minimum 5 years of service and 55 years old 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
	Reduced retirement	25 years of service and any age 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
	Reduced retirement	25 years of service and any age Not available

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

	<u>Nonhazardous</u>		<u>Hazardous</u>
	<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, 2020 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, 2020 were \$160,125 which was 100% funded. The requirement consisted of \$64,494 and \$95,631 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 if 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, 2020, the City reported a liability of \$2,077,510 (\$909,584 nonhazardous and \$1,167,926 hazardous) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled-forward from the valuation date to June 30, 2019, 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, 2019. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2019, the City's proportion was .012933% for nonhazardous classified employees and .042281% 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	\$ 909,584
City's hazardous proportionate share of the CERS net pension liability	<u>1,167,926</u>
Total CERS net pension liability associated with the City	<u>\$ 2,077,510</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Pension expense. As a result of its requirement to contribute to CERS, the City recognized pension expenses of \$375,033 (\$83,525 nonhazardous and \$291,508 hazardous) for the year ended June 30, 2020. At June 30, 2020, 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	\$ 23,224	\$ 3,843	\$ 49,622	\$ -
Net differences between projected and actual investment earnings	17,460	32,123	17,967	34,496
Change of assumption	92,060	-	113,370	-
Changes in proportion and differences between employer contributions and share of contributions	467	104,606	18,583	8,099
Contributions subsequent to the measurement date	<u>64,494</u>	<u>-</u>	<u>95,631</u>	<u>-</u>
Totals	<u>\$ 197,705</u>	<u>\$ 140,572</u>	<u>\$ 295,173</u>	<u>\$ 42,595</u>

The \$160,125 (\$64,494 nonhazardous and \$95,631 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, 2021. 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, 2021	\$ 18,198	\$ 110,022
June 30, 2022	(19,818)	33,436
June 30, 2023	(6,781)	12,437
June 30, 2024	<u>1,040</u>	<u>1,052</u>
Total	<u>\$ (7,361)</u>	<u>\$ 156,947</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Actuarial assumptions. The total pension liability in the June 30, 2020 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%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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

The target allocation and best estimates of arithmetic real rates of return for each major class at June 30, 2018, 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%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100%</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.

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:

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
The City's proportionate share of the net pension liability			
Non-Hazardous	\$ 1,137,631	\$ 909,584	\$ 719,508
Hazardous	\$ 1,460,170	\$ 1,167,926	\$ 928,329

Payables to the pension plan. At June 30, 2020, the financial statements include \$12,793 in contractually required employee and employer contributions primarily for the month ended June 30, 2020. 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, 2020, 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, 2020, were \$44,191, which consisted of \$15,475 and \$28,716 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.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 was \$4,669 for nonhazardous employees and \$224 for hazardous employees.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources At June 30, 2020, the City reported a net OPEB liability of \$530,221 (\$217,460 nonhazardous and \$312,761 hazardous) for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using generally accepted actuarial principles. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2019, the City's proportion was .012929% for nonhazardous classified employees and .042273% 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	\$ 217,460
City's hazardous proportionate share of the CERS net OPEB liability	<u>312,761</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 530,221</u></u>

For the year ended June 30, 2020, the City recognized OPEB expense of \$62,354 (\$15,614 nonhazardous and \$46,740 hazardous). At June 30, 2020, 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	\$ -	\$ 65,613	\$ -	\$ 58,184
Net differences between projected and actual investment earnings	1,432	11,091	2,137	20,119
Change of assumption	64,348	430	94,515	592
Changes in proportion and differences between employer contributions and share of contributions	-	44,263	-	4,501
Contributions subsequent to the measurement date, including implicit subsidy	<u>20,144</u>	<u>-</u>	<u>28,940</u>	<u>-</u>
Totals	<u><u>\$ 85,924</u></u>	<u><u>\$ 121,397</u></u>	<u><u>\$ 125,592</u></u>	<u><u>\$ 83,396</u></u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The \$49,084 (\$20,144 nonhazardous and \$28,940 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, 2021. 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, 2021	\$ (10,316)	\$ 18,111
June 30, 2022	(10,316)	1,476
June 30, 2023	(7,245)	(7,509)
June 30, 2024	(13,108)	1,178
June 30, 2025	(11,926)	-
June 30, 2026	(2,706)	-
Total	\$ (55,617)	\$ 13,256

Actuarial Assumptions The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2019 actuarial valuation was based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

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	3.13%
Discount Rate	5.68 % and 5.69 % for non-hazardous and hazardous

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The target allocation and best estimates of arithmetic nominal rates of return for each major class at June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
US Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100%</u>	

Discount Rate The single discount rate of 5.68% for nonhazardous and 5.69% for hazardous were used to measure the total OPEB liability as of June 30, 2019. For both hazardous and nonhazardous groups, the single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a long-term municipal bond rate of 3.62% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds received the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

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 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease 4.68%	Current Discount Rate 5.68%	1% Increase 6.68%
Non-Hazardous	\$ 291,307	\$ 217,460	\$ 156,615

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.69%, 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 (4.69) or 1-percentage-point higher (6.69%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.69%</u>	Current Discount Rate 5.69%	1% Increase <u>6.69%</u>
Hazardous	\$ 436,365	\$ 312,761	\$ 212,431

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	1% Decrease <u> </u>	Current Healthcare Cost Trend Rate <u> </u>	1% Increase <u> </u>
Non-Hazardous	\$ 161,726	\$ 217,460	\$ 285,044
Hazardous	\$ 217,624	\$ 312,761	\$ 428,823

Payables to the pension plan. At June 30, 2020, the financial statements include \$2,029 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2020. 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>.

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with
	<u>Budgeted</u>	<u>Budgeted</u>	<u>Amounts</u>	Final Budget
				Favorable
				(Unfavorable)
<u>Revenues</u>				
Taxes				
Occupational	\$ 660,000	\$ 660,000	\$ 646,644	\$ (13,356)
Property	400,000	400,000	398,189	(1,811)
Restaurant	135,000	135,000	139,239	4,239
Franchise	97,550	97,550	127,975	30,425
Insurance premiums	80,000	80,000	92,934	12,934
Other	50,800	50,800	68,072	17,272
License and permits	36,200	36,200	39,244	3,044
Charges for services	241,700	241,700	255,346	13,646
Intergovernmental	134,911	134,911	82,328	(52,583)
Miscellaneous	109,975	109,975	23,470	(86,505)
Interest income	7,500	7,500	12,030	4,530
Total revenues	<u>1,953,636</u>	<u>1,953,636</u>	<u>1,885,471</u>	<u>(68,165)</u>
<u>Expenditures</u>				
General government	784,841	784,841	764,947	19,894
Public safety	536,212	536,212	380,058	156,154
Public works	420,865	420,865	242,524	178,341
Debt service	355,300	355,300	350,200	5,100
Capital outlay	40,000	40,000	38,926	1,074
Total expenditures	<u>2,137,218</u>	<u>2,137,218</u>	<u>1,776,655</u>	<u>360,563</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(183,582)</u>	<u>(183,582)</u>	<u>108,816</u>	<u>292,398</u>
<u>Other Financing Sources (Uses)</u>				
Other financial assistance	-	-	127,429	127,429
Lease revenue	48,000	48,000	44,125	(3,875)
Proceeds from sale of capital assets	-	-	26,000	26,000
Insurance proceeds	-	-	3,182	3,182
Transfers in(out)	135,582	135,582	128,272	(7,310)
Total other financing sources (uses)	<u>183,582</u>	<u>183,582</u>	<u>329,008</u>	<u>(145,426)</u>
<u>Net Change in Fund Balances</u>	<u>\$ -</u>	<u>\$ -</u>	437,824	<u>\$ 146,972</u>
<u>Fund Balances at Beginning of Year</u>			1,826,299	
<u>Fund Balances at End of Year</u>			<u>\$ 2,264,123</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, 2020

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Insurance license tax	\$ 190,000	\$ 190,000	\$ 162,824	\$ (27,176)
Intergovernmental	34,500	34,500	35,000	500
Charges for services	5,000	5,000	6,375	1,375
Miscellaneous	-	-	100	100
Investment income	-	-	1,046	1,046
Total revenues	<u>229,500</u>	<u>229,500</u>	<u>205,345</u>	<u>(24,155)</u>
<u>Expenditures</u>				
Public safety	122,500	122,500	118,815	3,685
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>147,500</u>	<u>147,500</u>	<u>118,815</u>	<u>28,685</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>				
	82,000	82,000	86,530	4,530
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	1,146	1,146
<u>Net Change in Fund Balances</u>				
	<u>\$ 82,000</u>	<u>\$ 82,000</u>	87,676	<u>\$ 5,676</u>
<u>Fund Balances at Beginning of Year</u>			<u>306,235</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 393,911</u>	

CITY OF EDDYVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SEVEN 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>Non-Hazardous</u>							
City's proportion of the net pension liability (asset)	.012933%	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 909,584	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 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	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	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<u>Hazardous</u>							
City's proportion of the net pension liability (asset)	.042281%	.042127%	.043182%	.035460%	.022480%		
City's proportionate share of the net pension liability (asset)	\$ 1,167,926	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038		
City's covered-employee payroll	\$ 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	550.57%	423.11%	405.29%	256.67%	187.20%		
Plan fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.80%	53.95%	57.52%		

Note to Schedule: The amounts presented were determined as of the measurement date June 30, 2019.

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

CITY OF EDDYVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S CONTRIBUTIONS TO THE NET PENSION LIABILITY
LAST SEVEN FISCAL YEARS

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

Note to Schedule:

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Changes of Benefit Term:

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

Change of assumptions:

The assumed investment rate of return was 6.25%

The assumed rate of inflation was 2.30%

Payroll Growth assumption was 3.30% - 10.30% (nonhazardous) and 3.55% - 19.05% (hazardous), varies by service.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, was determined using these updated assumptions.

The mortality table used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

CITY OF EDDYVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
LAST THREE MEASUREMENT DATES (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous</u>			
City's proportionate share of the net OPEB liability (asset)	0.012929%	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 217,460	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 264,126	\$ 326,218	\$ 383,198
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	82.33%	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	60.44%	57.62%	52.40%
<u>Hazardous</u>			
City's proportionate share of the net OPEB liability (asset)	0.042273%	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 312,761	\$ 312,761	\$ 356,973
City's covered employee payroll	\$ 212,130	\$ 212,130	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	147.44%	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	64.44%	64.24%	59.00%

Note to Schedule: The amounts presented were determined as of the measurement date June 30, 2019.

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

CITY OF EDDYVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF CITY'S CONTRIBUTIONS TO THE NET OPEB LIABILITY
LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous</u>			
Statorily required contributions	\$ 15,475	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<u>15,475</u>	<u>17,161</u>	<u>18,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 264,126	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	4.76%	5.26%	4.70%
<u>Hazardous</u>			
Statorily required contributions	\$ 28,716	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<u>28,716</u>	<u>25,211</u>	<u>21,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 212,130	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	9.52%	10.47%	9.35%

Note to Schedule:

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

Changes of Benefit Term:

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

Change of assumptions:

The assumed investment rate of return was 6.25%

The assumed rate of inflation was 2.30%

Payroll Growth assumption was 3.30% - 10.30% (nonhazardous) and 3.55% - 19.05% (hazardous), varies by service.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, was determined using these updated assumptions.

The mortality table used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF EDDYVILLE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds			Total Non-Major Governmental Funds
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	
<u>Assets</u>				
Investments	\$ -	\$ -	\$ 8,484	\$ 8,484
Receivables	-	10,609	68	10,677
Intergovernmental receivables	3,780	-	-	3,780
Restricted assets				
Cash equivalents	-	-	30,673	30,673
Investments	-	-	23,018	23,018
<u>Total Assets</u>	<u>\$ 3,780</u>	<u>\$ 10,609</u>	<u>\$ 62,243</u>	<u>\$ 76,632</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances</u>				
Restricted for				
Cemetery fund	-	-	62,243	62,243
Municipal aid	3,780	-	-	3,780
Committed for				
Alcoholic beverage control	-	10,609	-	10,609
Total Fund Balances	3,780	10,609	62,243	76,632
<u>Total Liabilities and Fund Balances</u>	<u>\$ 3,780</u>	<u>\$ 10,609</u>	<u>\$ 62,243</u>	<u>\$ 76,632</u>

CITY OF EDDYVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Special Revenue Funds</u>			Total Other Governmental Funds
	<u>Municipal Aid</u>	<u>Alcohol Beverage Fund</u>	<u>Cemetery Fund</u>	
<u>Revenues</u>				
Regulatory fee	\$ -	\$ 91,901	\$ -	\$ 91,901
Intergovernmental	48,487	-	-	48,487
Cemetery	-	-	7,800	7,800
Interest income	-	-	620	620
Total Revenues	<u>48,487</u>	<u>91,901</u>	<u>8,420</u>	<u>148,808</u>
<u>Expenditures</u>				
Public safety	-	109,195	-	109,195
Public works	50,693	-	-	50,693
Cemetery maintenance	-	-	11,699	11,699
Capital outlay	-	-	13,147	13,147
Total Expenditures	<u>50,693</u>	<u>109,195</u>	<u>24,846</u>	<u>184,734</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	(2,206)	(17,294)	(16,426)	(35,926)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	18,821	11,924	30,745
<u>Net Change in Fund Balances</u>	(2,206)	1,527	(4,502)	(5,181)
<u>Fund Balances - Beginning of Year</u>	<u>5,986</u>	<u>9,082</u>	<u>66,745</u>	<u>81,813</u>
<u>Fund Balances - End of Year</u>	<u>\$ 3,780</u>	<u>\$ 10,609</u>	<u>\$ 62,243</u>	<u>\$ 76,632</u>

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

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

Honorable Mayor 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, 2020, 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 April 2, 2021.

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 2020-1 and Item 2020-2).

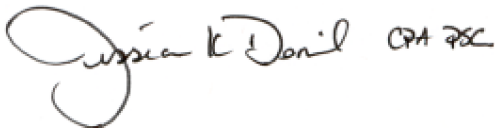
Compliance and other Matters

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 April 2, 2021.

Purpose of this Report

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

Handwritten signature of Jessica K. Donil CPA FSC. The signature is written in cursive and includes the text "Jessica K Donil CPA FSC" to the right of the signature.

Eddyville, Kentucky
April 2, 2021

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF 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.