

CITY OF BEATTYVILLE, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2021

CITY OF BEATTYVILLE  
FINANCIAL STATEMENTS AND REPORT OF AUDIT  
For the Year Ended June 30, 2021

TABLE OF CONTENTS

<u>ITEM</u>	<u>Pages</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis.....	3 - 7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	9 - 10
Statement of Activities.....	11 - 12
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Net Position – Proprietary Funds.....	17 - 18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to the Basic Financial Statements .....	22 - 48

CITY OF BEATTYVILLE

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2021

TABLE OF CONTENTS

<u>ITEM</u>	<u>Pages</u>
<u>Required Supplementary Information</u>	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	50
Schedules of Employer’s Share of Net Pension Liability and Schedules of Employer Contributions .....	51 -52
Schedules of Employer’s Share of Net OPEB Liability and Schedules of Employer Contributions .....	53
<u>Other Supplementary Information</u>	
Combining Balance Sheet – All Special Revenue Funds.....	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds.....	55
Combining Balance Sheet – All Capital Projects.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Capital Projects.....	57
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 <i>Government Auditing Standards</i> .....	58 - 59
<u>Appendix A</u>	
Certification of Local Government Economic Assistance Program Compliance	

**Chris Gooch**  
Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700 FAX: (606) 436-5701  
chrisgooch@chrisgoochcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Beattyville  
Beattyville, 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 Beattyville, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Beattyville, Kentucky'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 from 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 Beattyville, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB supplemental reporting on pages 3–7 and 49–53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beattyville, 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 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 our report dated January 6, 2022, on our consideration of the City of Beattyville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beattyville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beattyville, Kentucky's internal control over financial reporting and compliance.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

January 6, 2022

## CITY OF BEATTYVILLE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

As management of the City of Beattyville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

#### **FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including investments, for the City was \$803,033 of which \$609,551 is considered restricted. The ending cash balance, including investments, for the City was \$935,779 of which \$776,942 is considered restricted.
- Net operating income for the City's enterprise funds prior to depreciation costs was \$428,357.
- The City's fixed assets reflect additions of \$647,136. Of that total, governmental fixed assets reflect a \$145,482 increase and proprietary fixed assets reflect an increase of \$501,656. AML project accounts for \$96,023, I&I Sewer Project \$311,704, Utility trucks purchased for \$76,995, and excavator purchase for \$59,900.
- Long-term debt decreased by \$294,967, consisting of general fund long-term debt principal of \$59,445 and proprietary fund debt principal of \$235,522. New debt was issued in the amount of \$55,542, for general fund line of credit.

#### OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial 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.

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, 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.

## CITY OF BEATTYVILLE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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 will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes, intergovernmental revenues and customer charges. The governmental activities of the City include general government, police and fire protection, public works and highway and streets. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

#### **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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. Proprietary funds include the Garbage Fund, Water Fund and Sewer Fund. All other activities are reported under governmental funds, including the General Fund, Road Aid Fund, PEP, Inc., Housing Reimbursement Fund, Cemetery Property Fund and the AML Town Square Project.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2021, assets exceeded liabilities by \$7,056,942. At June 30, 2020 this amount was \$7,082,103.

The greatest portion of the City's net position reflects its investment in capital assets (e.g., land and improvements, infrastructure, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the citizens of Beattyville and to customers for which the City provides services; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

CITY OF BEATTYVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

**Net position for the year ended June 30, 2021**

A comparison of Statement of Net Position at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 590,037	\$ 683,866
Restricted Assets	776,942	609,551
Noncurrent Assets	13,834,047	13,982,600
Deferred Outflows of Resources	<u>1,095,450</u>	<u>905,342</u>
 <u>Total Assets and Deferred Outflows of Resources</u>	 <u><u>16,296,476</u></u>	 <u><u>16,181,359</u></u>
 Current Liabilities	 844,069	 892,763
Noncurrent Liabilities	7,928,246	7,700,249
Deferred Inflows of Resources	<u>467,219</u>	<u>485,277</u>
 <u>Total Liabilities and Deferred Inflows of Resources</u>	 <u><u>9,239,534</u></u>	 <u><u>9,078,289</u></u>
 - Net Position -		
Investment in Capital Assets (net of debt)	9,487,646	9,396,774
Restricted	(1,321,397)	(1,213,502)
Unrestricted	<u>(1,109,307)</u>	<u>(1,080,202)</u>
 <u>Total Net Position</u>	 <u><u>7,056,942</u></u>	 <u><u>7,103,070</u></u>
 <u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	 <u><u>\$ 16,296,476</u></u>	 <u><u>\$ 16,181,359</u></u>

- Restricted Assets increase due to increase of restricted cash.
- Noncurrent assets decreased due to recognition of current year depreciation on capital assets.
- Deferred Outflows increased due in increase in Deferred Outflow of pension/OPEB resources.
- Noncurrent Liabilities increased due to increases in net pension /OPEB liabilities.

CITY OF BEATTYVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

The following is a comparison of general fund budget to actual:

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local revenue sources	\$ 863,900	\$ 915,783	\$ 51,883
Intergovernmental revenues	<u>61,500</u>	<u>440,707</u>	<u>379,207</u>
<u>Total Revenues</u>	<u>925,400</u>	<u>1,356,490</u>	<u>431,090</u>
Expenditures:			
General government	153,900	364,800	(210,900)
Police	531,900	544,662	(12,762)
Fire	30,160	14,097	16,063
Highway and streets	180,552	442,848	(262,296)
Capital outlay	-	49,459	(49,459)
Debt service	<u>48,288</u>	<u>69,399</u>	<u>(21,111)</u>
<u>Total Expenditures</u>	<u>944,800</u>	<u>1,485,265</u>	<u>(540,465)</u>
Excess of Revenues over (under)			
<u>Expenditures</u>	<u>\$ (19,400)</u>	<u>\$ (128,775)</u>	<u>\$ (109,375)</u>

- Debt service is not a budgeted item.

The following table presents a comparison of government wide revenue and expense for the fiscal years ended June 30, 2021 and 2020:

	<u>For the Year Ended</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Intergovernmental revenues	\$ 713,525	\$ 510,780
Local revenue sources	<u>3,526,874</u>	<u>3,185,784</u>
<u>Total Revenues</u>	<u>4,240,399</u>	<u>3,696,564</u>
Expenditures:		
General government	360,020	496,975
Police	663,308	595,825
Fire	21,008	31,484
Highway and streets	488,744	248,250
Community services	281,236	277,356
Utility services	<u>2,846,695</u>	<u>2,730,330</u>
<u>Total Expenditures</u>	<u>4,661,011</u>	<u>4,380,220</u>
<u>Change in Net Position</u>	<u>\$ (420,612)</u>	<u>\$ (683,656)</u>

CITY OF BEATTYVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

- Intergovernmental revenues increased due to grants received from the Cares Act and Commonwealth of Kentucky for blacktopping.
- Increase in Local revenue sources.
- Increase in Highway and streets due to blacktopping of various streets.
- Increases in Utility service expenditures due to increase in supplies and material expenditure and interest expense.

**BUDGETARY IMPLICATIONS**

In Kentucky the fiscal year for municipalities is July 1- June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the city's overall budget.

Results of the current fiscal year and recent historical trends for the City were taken into account when preparing the 2021-22 budget. No significant revenue or expense line items are foreseeable. The City's tax rates and tax base have not changed significantly.

The City has assessed underlying economic risk factors that are prevalent for the geographic area and considered these risk factors when preparing budgets.

Questions regarding this report should be directed to the Mayor or Finance Office at (606) 464-5007.

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF BEATTYVILLE  
STATEMENT OF NET POSITION

June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
- Current assets -			
Cash - unrestricted	\$ 47,160	\$ 111,677	\$ 158,837
Receivables:			
Property tax (net allowance for uncollectibles)	9,339	-	9,339
Operations (net allowance for uncollectibles)	-	311,642	311,642
Interest	-	35	35
Due from other funds	80	31,792	31,872
Intergovernmental	19,740	-	19,740
Other	13,161	-	13,161
Inventory	-	45,411	45,411
<u>Total current assets</u>	<u>89,480</u>	<u>500,557</u>	<u>590,037</u>
- Restricted assets -			
Cash	<u>348,419</u>	<u>428,523</u>	<u>776,942</u>
- Noncurrent assets -			
Non-depreciable	561,078	802,494	1,363,572
Depreciable	5,761,055	22,090,460	27,851,515
Less: Accumulated depreciation	<u>(3,318,126)</u>	<u>(12,062,914)</u>	<u>(15,381,040)</u>
<u>Total noncurrent assets</u>	<u>3,004,007</u>	<u>10,830,040</u>	<u>13,834,047</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows - pension resources/OPEB	320,800	597,363	918,163
Deferred outflows - 2020 refunding	<u>-</u>	<u>177,287</u>	<u>177,287</u>
<u>Total deferred outflows of resources</u>	<u>320,800</u>	<u>774,650</u>	<u>1,095,450</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 3,762,706</u>	<u>\$ 12,533,770</u>	<u>\$ 16,296,476</u>

See notes to financial statements.



## CITY OF BEATTYVILLE

## STATEMENT OF NET POSITION (CONTINUED)

June 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
- Current liabilities -			
Accounts payable	\$ 44,141	\$ 134,028	\$ 178,169
Construction payable	9,175	-	9,175
Accrued liabilities	33,245	55,395	88,640
Customer deposits	-	179,690	179,690
Due to other funds	31,872	-	31,872
Notes payable - current portion	108,704	23,734	132,438
Revenue bonds payable - current portion	-	224,085	224,085
<u>Total current liabilities</u>	<u>227,137</u>	<u>616,932</u>	<u>844,069</u>
- Noncurrent liabilities -			
Notes payable	258,284	67,512	325,796
Revenue bonds payable	-	3,664,082	3,664,082
Net pension liability	1,217,064	1,783,861	3,000,925
Net OPEB liability	375,995	561,448	937,443
<u>Total noncurrent liabilities</u>	<u>1,851,343</u>	<u>6,076,903</u>	<u>7,928,246</u>
<u>Total liabilities</u>	<u>2,078,480</u>	<u>6,693,835</u>	<u>8,772,315</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows - pension related/OPEB	236,618	139,033	375,651
Deferred inflows - 2020 refunding	-	91,568	91,568
<u>Total deferred inflows of resources</u>	<u>236,618</u>	<u>230,601</u>	<u>467,219</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,637,019	6,850,627	9,487,646
Restricted	348,419	(1,669,816)	(1,321,397)
Unrestricted (deficit)	(1,537,830)	428,523	(1,109,307)
<u>Total net position</u>	<u>1,447,608</u>	<u>5,609,334</u>	<u>7,056,942</u>
Total liabilities, deferred inflows of resources <u>and net position</u>	<u>\$ 3,762,706</u>	<u>\$ 12,533,770</u>	<u>\$ 16,296,476</u>

See notes to financial statements.

## CITY OF BEATTYVILLE

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
	<u>Expenses</u>			
<b>FUNCTIONS/PROGRAMS:</b>				
- Governmental Activities -				
General government	\$ 472,790	\$ -	\$ -	\$ (309,027)
Police	663,308	-	(3,075)	(28,318)
Fire	21,008	-	-	-
Highway and streets	488,744	-	(25,403)	(196,310)
Community services	<u>281,236</u>	<u>(15,015)</u>	<u>(259,362)</u>	<u>-</u>
<u>Total governmental activities</u>	<u>1,927,086</u>	<u>(15,015)</u>	<u>(287,840)</u>	<u>(533,655)</u>
- Business-type Activities -				
Water utilities	1,964,788	(1,647,681)	-	-
Sewer utilities	608,292	(703,923)	-	-
Garbage utilities	<u>273,615</u>	<u>(248,451)</u>	<u>-</u>	<u>-</u>
<u>Total business-type activities</u>	<u>2,846,695</u>	<u>(2,600,055)</u>	<u>-</u>	<u>-</u>
<u>Total primary government</u>	<u>\$ 4,773,781</u>	<u>\$ (2,615,070)</u>	<u>\$ (287,840)</u>	<u>\$ (533,655)</u>

See notes to financial statements.

CITY OF BEATTYVILLE  
STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
	\$ 32,547	\$ -	\$ 32,547
	(631,915)	-	(631,915)
	(21,008)	-	(21,008)
	(463,341)	-	(463,341)
	<u>(6,859)</u>	<u>-</u>	<u>(6,859)</u>
	<u>(1,090,576)</u>	<u>-</u>	<u>(1,090,576)</u>
	-	(317,107)	(317,107)
	-	95,631	95,631
	<u>-</u>	<u>(25,164)</u>	<u>(25,164)</u>
	<u>-</u>	<u>(246,640)</u>	<u>(246,640)</u>
	<u>(1,090,576)</u>	<u>(246,640)</u>	<u>(1,337,216)</u>
<b>General revenues:</b>			
Taxes	306,406	-	306,406
Licenses and permits	568,983	-	568,983
Interest income	9	812	821
Miscellaneous	40,394	-	40,394
Transfer in/(out)	<u>88,745</u>	<u>(88,745)</u>	<u>-</u>
<u>Total general revenues</u>	<u>1,004,537</u>	<u>(87,933)</u>	<u>916,604</u>
Change in net position	(86,039)	(334,573)	(420,612)
Net position - beginning of year - restated	1,533,647	5,569,423	7,103,070
Contributed capital	<u>-</u>	<u>374,484</u>	<u>374,484</u>
Net position - end of year	<u>\$ 1,447,608</u>	<u>\$ 5,609,334</u>	<u>\$ 7,056,942</u>
See notes to financial statements.			

CITY OF BEATTYVILLEBALANCE SHEET – GOVERNMENTAL FUNDSJune 30, 2021

	<u>General</u>	<u>Other Govt Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 42,640	\$ 4,520	\$ 47,160
Receivables (net allowance for uncollectibles)			
Taxes	9,339	-	9,339
Intergovernmental	19,740	-	19,740
Other receivables	3,986	9,175	13,161
Due from other funds	-	80	80
<u>Restricted Assets:</u>			
Cash	<u>72,723</u>	<u>275,696</u>	<u>348,419</u>
 <u>Total assets</u>	 <u>148,428</u>	 <u>289,471</u>	 <u>437,899</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Accounts payable	44,101	9,215	53,316
Accrued liabilities	29,516	3,729	33,245
Due to other funds	<u>31,872</u>	<u>-</u>	<u>31,872</u>
 <u>Total liabilities</u>	 <u>105,489</u>	 <u>12,944</u>	 <u>118,433</u>
 <u>Fund Balance:</u>			
Unassigned	(29,784)	791	(28,993)
Restricted	<u>72,723</u>	<u>275,736</u>	<u>348,459</u>
 <u>Total fund balance</u>	 <u>42,939</u>	 <u>276,527</u>	 <u>319,466</u>
 <u>Total liabilities and fund balance</u>	 <u>\$ 148,428</u>	 <u>\$ 289,471</u>	 <u>\$ 437,899</u>

See notes to financial statements.

CITY OF BEATTYVILLERECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2021

Total fund balance per fund financial statements	\$ 319,466
--	------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 6,322,133	
Less accumulated depreciation	<u>\$ (3,318,126)</u>	
		3,004,007

Deferred outflows on OPEB and pension resources are reported in government wide financial statements, but not in fund financial statements.

320,800

Net pension and OPEB obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.

(1,593,059)

Deferred inflows of resources related to OPEB and pension are not reported in the fund financial statements.

(236,618)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund

Governmental bonds and notes payable	<u>(366,988)</u>	
--------------------------------------	------------------	--

Net position for governmental activities	<u><u>\$ 1,447,608</u></u>
--	----------------------------

See notes to financial statements.

## CITY OF BEATTYVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

	<u>General</u>	<u>Other Govt Funds</u>	<u>Total</u>
<u>REVENUES:</u>			
Taxes	\$ 306,406	\$ -	\$ 306,406
Licenses and permits	568,983	-	568,983
Intergovernmental revenues	440,707	380,788	821,495
Other revenues	<u>40,394</u>	<u>15,015</u>	<u>55,409</u>
<u>Total revenues</u>	<u>1,356,490</u>	<u>395,803</u>	<u>1,752,293</u>
<u>EXPENDITURES:</u>			
<u>Current:</u>			
General government	364,800	523	365,323
Police	544,662	-	544,662
Fire	14,097	-	14,097
Highways and streets	442,848	932	443,780
Capital outlay	49,459	96,023	145,482
Debt service			
Principal	59,445	-	59,445
Interest	9,954	-	9,954
Other expenditures	<u>-</u>	<u>235,809</u>	<u>235,809</u>
<u>Total expenditures</u>	<u>1,485,265</u>	<u>333,287</u>	<u>1,818,552</u>
Excess of revenues over (under) expenditures	<u>(128,775)</u>	<u>62,516</u>	<u>(66,259)</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Loan proceeds	55,542	-	55,542
Operating transfers in	785,600	92,489	878,089
Operating transfers (out)	(701,564)	(87,780)	(789,344)
Interest income	<u>9</u>	<u>-</u>	<u>9</u>
<u>Total other financing sources (uses)</u>	<u>139,587</u>	<u>4,709</u>	<u>144,296</u>
Excess of revenues and other sources over (under) expenditures and other uses	10,812	67,225	78,037
<u>FUND BALANCE - JULY 1</u>	<u>32,127</u>	<u>209,302</u>	<u>241,429</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 42,939</u>	<u>\$ 276,527</u>	<u>\$ 319,466</u>

See notes to financial statements.

CITY OF BEATTYVILLE

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

Net change in total fund balances per fund financial statements	\$	78,037
---	----	--------

Amounts reported for governmental activities in the statement of activities differences:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as

Capital outlay	\$ 145,482	
Depreciation	<u>(234,818)</u>	
		(89,336)

Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

Pension expenditures	(62,153)	
OPEB expenditures	<u>\$ (16,490)</u>	(78,643)

Loan proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Statement of Net Position. The repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. This is the amount by which repayments exceeded proceeds.

Principal payments	59,445	
Note proceeds	<u>\$ (55,542)</u>	<u>3,903</u>

Change in net position of governmental activities	\$	<u><u>(86,039)</u></u>
---	----	------------------------

## CITY OF BEATTYVILLE

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2021

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>CURRENT ASSETS:</u>				
Cash	\$ 111,677	\$ -	\$ -	\$ 111,677
Accounts receivable				
Operations (net allowance for uncollectibles)	175,561	69,082	66,999	311,642
Other	-	-	-	-
Interest	35	-	-	35
Due from other funds	31,792	-	-	31,792
Inventory	45,411	-	-	45,411
<u>Total current assets</u>	<u>364,476</u>	<u>69,082</u>	<u>66,999</u>	<u>500,557</u>
<u>RESTRICTED ASSETS:</u>				
Cash	389,610	23,216	15,697	428,523
<u>UTILITY PLANT:</u>				
Non-depreciable	317,809	484,685	-	802,494
Depreciable	16,814,648	4,701,514	574,298	22,090,460
<u>Total</u>	<u>17,132,457</u>	<u>5,186,199</u>	<u>574,298</u>	<u>22,892,954</u>
<u>LESS: Accumulated depreciation</u>	<u>9,551,429</u>	<u>2,208,457</u>	<u>303,028</u>	<u>12,062,914</u>
<u>Utility plant - net</u>	<u>7,581,028</u>	<u>2,977,742</u>	<u>271,270</u>	<u>10,830,040</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows - pension resources/OPEB	436,075	77,657	83,631	597,363
Deferred outflows - 2020 refunding	148,921	28,366	-	177,287
<u>Total deferred outflows of resources</u>	<u>584,996</u>	<u>106,023</u>	<u>83,631</u>	<u>774,650</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 8,920,110</u>	<u>\$ 3,176,063</u>	<u>\$ 437,597</u>	<u>\$ 12,533,770</u>

See notes to financial statements.



## CITY OF BEATTYVILLE

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2021

<b><u>LIABILITIES</u></b>	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Garbage</u></b>	<b><u>Total</u></b>
<b><u>CURRENT LIABILITIES:</u></b>				
<u>Payable from Current Assets:</u>				
Accounts payable	\$ 108,251	\$ 18,994	\$ 6,783	\$ 134,028
Accrued liabilities	<u>30,029</u>	<u>5,140</u>	<u>20,226</u>	<u>55,395</u>
Total current liabilities				
<u>payable from current assets</u>	<u>138,280</u>	<u>24,134</u>	<u>27,009</u>	<u>189,423</u>
<b><u>CURRENT LIABILITIES:</u></b>				
<u>Payable from Restricted Assets:</u>				
Revenue bonds payable	177,251	46,834	-	224,085
Customer deposits	179,690	-	-	179,690
Note payable	<u>3,494</u>	<u>-</u>	<u>20,240</u>	<u>23,734</u>
Total current liabilities				
<u>payable from restricted assets</u>	<u>360,435</u>	<u>46,834</u>	<u>20,240</u>	<u>427,509</u>
<b><u>LONG TERM LIABILITIES:</u></b>				
Note payable, less current portion	16,617	-	50,895	67,512
Revenue bonds payable, less current portion	2,593,049	1,071,033	-	3,664,082
Net pension liability	1,306,059	236,924	240,878	1,783,861
Net OPEB liability	<u>411,066</u>	<u>74,569</u>	<u>75,813</u>	<u>561,448</u>
<u>Total long term liabilities</u>	<u>4,326,791</u>	<u>1,382,526</u>	<u>367,586</u>	<u>6,076,903</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows - pension related/OPEB	101,793	18,466	18,774	139,033
Deferred inflows - 2020 refunding	<u>76,917</u>	<u>14,651</u>	<u>-</u>	<u>91,568</u>
<u>Total deferred inflows of resources</u>	<u>178,710</u>	<u>33,117</u>	<u>18,774</u>	<u>230,601</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	4,790,617	1,859,875	200,135	6,850,627
Unrestricted (deficit)	(1,264,333)	(193,639)	(211,844)	(1,669,816)
Restricted	<u>389,610</u>	<u>23,216</u>	<u>15,697</u>	<u>428,523</u>
<u>Total net position</u>	<u>3,915,894</u>	<u>1,689,452</u>	<u>3,988</u>	<u>5,609,334</u>
Total liabilities, deferred inflows of resources				
<u>and net position</u>	<u>\$ 8,920,110</u>	<u>\$ 3,176,063</u>	<u>\$ 437,597</u>	<u>\$ 12,533,770</u>

See notes to financial statements.

## CITY OF BEATTYVILLE

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION – PROPRIETARY FUNDS

For the Year Ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>REVENUES:</u>				
Charges for service	\$ 1,636,696	\$ 676,207	\$ 210,426	\$ 2,523,329
Other revenue	<u>10,985</u>	<u>27,716</u>	<u>38,025</u>	<u>76,726</u>
<u>Total</u>	<u>1,647,681</u>	<u>703,923</u>	<u>248,451</u>	<u>2,600,055</u>
<u>OPERATING EXPENSES BEFORE DEPRECIATION:</u>				
Personal services	754,695	137,013	137,517	1,029,225
Supplies and materials	344,111	162,403	25,363	531,877
Contractual services	398,429	124,689	79,080	602,198
Miscellaneous	<u>8,398</u>	<u>-</u>	<u>-</u>	<u>8,398</u>
<u>Total</u>	<u>1,505,633</u>	<u>424,105</u>	<u>241,960</u>	<u>2,171,698</u>
OPERATING INCOME BEFORE DEPRECIATION	142,048	279,818	6,491	428,357
<u>LESS - DEPRECIATION</u>	<u>401,045</u>	<u>128,388</u>	<u>31,440</u>	<u>560,873</u>
<u>Net operating income (loss)</u>	<u>(258,997)</u>	<u>151,430</u>	<u>(24,949)</u>	<u>(132,516)</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>				
Interest income	812	-	-	812
Interest expense	(58,110)	(55,799)	(215)	(114,124)
Transfer in (out)	<u>122,701</u>	<u>(249,428)</u>	<u>37,982</u>	<u>(88,745)</u>
<u>Total non-operating income (expenses)</u>	<u>65,403</u>	<u>(305,227)</u>	<u>37,767</u>	<u>(202,057)</u>
<u>Net income (loss)</u>	<u>(193,594)</u>	<u>(153,797)</u>	<u>12,818</u>	<u>(334,573)</u>
<u>NET POSITION - JULY 1, RESTATED</u>	4,053,098	1,525,155	(8,830)	5,569,423
<u>Contributed capital</u>	<u>56,390</u>	<u>318,094</u>	<u>-</u>	<u>374,484</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ 3,915,894</u>	<u>\$ 1,689,452</u>	<u>\$ 3,988</u>	<u>\$ 5,609,334</u>

See notes to financial statements.

## CITY OF BEATTYVILLE

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2021

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
Receipts from customers and users	\$ 1,650,080	\$ 670,161	\$ 245,227	\$ 2,565,468
Payments to suppliers	(710,082)	(273,808)	(105,021)	(1,088,911)
Payments to employees	(615,012)	(114,671)	(145,395)	(875,078)
Net cash provided/(used) by operating activities	324,986	281,682	(5,189)	601,479
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating transfers (out) in	122,701	(249,428)	37,982	(88,745)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition of capital assets	(188,719)	(312,937)	-	(501,656)
Principal paid on notes and bonds	(229,800)	13,634	(19,356)	(235,522)
Interest paid on bonds and note	(58,110)	(55,799)	(215)	(114,124)
Contributed capital	56,390	318,094	-	374,484
Net cash provided/(used) for capital and related financing activities	(420,239)	(37,008)	(19,571)	(476,818)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on investments	812	-	-	812
Net cash provided/(used) by investing activities	812	-	-	812
<u>NET INCREASE (DECREASE) IN CASH</u>	28,260	(4,754)	13,222	36,728
<u>CASH AND RESTRICTED CASH, JULY 1</u>	473,027	27,970	2,475	503,472
<u>CASH AND RESTRICTED CASH, JUNE 30</u>	501,287	23,216	15,697	540,200
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating profit/(loss)	(258,997)	151,430	(24,949)	(132,516)
Adjustments to reconcile operating net cash provided by operating activities				
Depreciation	401,045	128,388	31,440	560,873
Restatement of net position	(17,612)	21,727	-	4,115
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(22,170)	(11,036)	(4,380)	(37,586)
(Increase) decrease in other receivables	-	114,163	-	114,163
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in inventory	3,860	-	-	3,860
Increase (decrease) in accounts payable	36,996	(13,284)	578	24,290
Increase (decrease) in construction payable	-	(114,163)	-	(114,163)
Increase (decrease) in accrued liabilities	4,655	1,314	6,765	12,734
Increase (decrease) in customer deposits	11,300	-	-	11,300
(Increase) decrease in deferred outflows - pension/OPEB resources	(149,993)	(24,935)	(22,536)	(197,464)
(Increase) decrease in deferred outflows - 2020 refunding	34,143	(18,578)	-	15,565
Increase (decrease) in deferred inflows - pension/OPEB resources	(47,644)	(9,074)	(13,139)	(69,857)
Increase (decrease) in deferred inflows - 2020 refunding	(3,262)	(621)	-	(3,883)
Increase (decrease) in net pension/OPEB liability	332,665	56,351	21,032	410,048
Net cash provided by operations	\$ 324,986	\$ 281,682	\$ (5,189)	\$ 601,479

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF BEATTYVILLE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

Note A – General Statement and Summary of Significant Accounting Policies

General Statement

The City of Beattyville, Kentucky (The “City”) was incorporated in 1870, under the provisions of the State of Kentucky. The City operates under Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), streets, sanitation, planning and zoning, and general administrative and utility services.

Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

1. The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of managements, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City’s reporting entity.

Excluded from the reporting entity:

Beattyville Housing Development Corporation

This Organization is excluded as they have their own management staff and governing board. However, the City established the Housing Reimbursement Fund to account for its payments of payroll and related fringe benefits for employees of Beattyville Housing Development Corporation and for which it is fully reimbursed.

Included in the reporting entity as a blended component unit:

People Encouraging People, Inc. (PEP, Inc.)

Grant applications are in the City’s name. Accounting prepared by City personnel.

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

2. Government-Wide and Fund Financial Statements

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The City reports the following major funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Water, Sewer and Garbage Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

2. Government-Wide and Fund Financial Statements (continued)

Additionally, the government reports the following fund types:

The *Housing Reimbursement Fund* accounts for the City's payment of payroll and related fringe benefits for employees of the Beattyville Housing Development Corporation. Beattyville Housing Development Corporation reimburses the City for these expenditures.

The *Municipal Road Fund* accounts for State road funds restricted to improving the City's highway infrastructure.

*People Encouraging People, Inc.* is a restricted special revenue fund used for juvenile and adult drug prevention programs and community service projects.

The *Cemetery Property Fund* accounts for restricted activity related to the sale of cemetery lots.

The *AML Town Square Project Fund* accounts for restricted activity related to development of hiking and biking trail, construction of sidewalks and Town Square.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Cash and investments are separately held and reflected in their respective funds as "cash and cash equivalents" and "investments" some of which are restricted assets.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of one year or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

b. Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.



CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

4. Assets, Liabilities, and Net Position or Equity (continued)

c. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water and sewer line extensions	30 – 50 years
Buildings	30 – 50 years
Furniture and office equipment	5 – 10 years
Water storage tanks	30 – 50 years
Vehicles and equipment	4 – 10 years
Water and sewer treatment plant	30 – 50 years

d. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

e. Fund Equity

The City implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

## CITY OF BEATTYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

4. Assets, Liabilities, and Net Position or Equity (continued)

Classifications will include *nonspendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose.

The standard affects fund balance reporting only and does not affect government-wide or proprietary fund financial statements.

The following schedule reflects governmental fund balances at June 30, 2021:

Fund balances			
	General	Non-major	
	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Unassigned	\$ (29,784)	\$ 791	\$ (28,993)
Restricted	<u>72,723</u>	<u>275,736</u>	<u>348,459</u>
Total fund balances	<u>\$ 42,939</u>	<u>\$ 276,527</u>	<u>\$ 319,466</u>

## f. Net Position

GASB 63, implemented for the year ended June 30, 2013, changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the City or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

5. Sources of Revenue and Other General Information

## a. Revenues

The major sources of revenue other than general fund tax and licenses and proprietary fee for services are federal and state grants, state financial assistance, local contributed cash, contributed services, and other revenues as discussed below.

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

5. Sources of Revenue and Other General Information (continued)

1. Federal and State Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

2. State Financial Assistance

State financial assistance revenues are recognized upon notification of the amount of the award as the resources are collectible within the current period.

3. Local Contributed Cash

Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.

4. In-Kind – Contributed Services

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as an expenditure with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt. The value of contributions made on behalf of other organizations are recognized in the financial statements. However, management has estimated \$4,800 as the annual cost of providing payroll administration services to Beattyville Housing and Development Corporation.

5. Other Revenues

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

b. Leases

Leases that transfer substantially all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases are included in property and equipment and are amortized using the straight-line method over their respective terms. Operating leases are expensed over the terms of the leases.

CITY OF BEATTYVILLENOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20216. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds as well as for all enterprise funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Budgetary data for capital project funds has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.
- c. The City Council approves, by ordinance, total budget appropriations only and any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. However, for report purposes this level has been expanded to a functional basis (general government, public safety, etc.).
- d. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

7. Leave Policies

The vacation leave and sick leave policy for city employees is as follows:

First year no vacation, second year one week vacation, third year two week vacation.

The sick leave policy allows for the accumulation of 1 day each month or 12 days per year with a maximum of 360 hours. No accrual is made for sick leave payable.

8. Encumbrances

Encumbrances represent commitments related to unperformed contracts for good or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental fund types.

Encumbrances are reported as a component of assigned, restricted or committed fund balance since they do not constitute expenditures or liabilities.

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

9. Property Tax Calendar

Property taxes for fiscal year 2021 were levied in September 2020, on the assessed valuation of property in Lee County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes, are as follows:

<u>Description</u>	<u>Per KRS 134.020</u>
1. Due date for payment of taxes, 1% discount	30 days from the date mailed
2. Face value amount payment date	31-60 days from the date mailed
3. Delinquent date, 20% penalty, 6% interest per annum	Beyond 61 days from the date mailed

Vehicle taxes are collected by the County Clerk of Lee County and are due and collected in the birth month of the vehicle licensee.

10. Accounting for Pensions and Other Post-Employment Benefits (OPEB)

GASB Statements Nos. 67 and 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement 27 and GASB Statement No. 71 improves accounting and financial reporting by state and local governments for pensions and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, improves information provided by state and local governmental employers about financial support for pensions and OPEB that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions/OPEB with regard to providing decisions-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. These Statements was effective for fiscal years beginning after June 15, 2014 for pension reporting and fiscal year beginning after June 15, 2017 for OPEB, each have been implemented by the City of Beattyville.

11. Use of Estimates

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

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

12. Recently Issued Accounting Pronouncements

The City adopted the following new accounting pronouncement during the year ended June 30, 2021.

- GASB Statement No. 84—Fiduciary Activities, effective for the City’s fiscal year ending June 30, 2021.

The adoption of GASB Statement Number 84 did not have an impact on the City’s financial position or results of operations.

The City will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 87—Leases, effective for the City’s fiscal year ending June 30, 2022.
- GASB Statement No. 89—Accounting for Interest Cost Incurred before the End of a Construction Period, effective for the City’s fiscal year ending June 30, 2022.

The impact of these pronouncements on the City’s financial statements has not been determined.

Note B – Cash and Investments

The carrying amount of the City’s deposits with financial institutions was \$935,779 and the bank balance was \$1,145,604. Investments at June 30, 2021 consisted of certificates of deposit in local financial institutions.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the City may not recover collateral securities. The City requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation coverage (FDIC). At June 30, 2021, \$500,000 was covered by FDIC and \$645,604 was secured by securities held in the financial institution’s name. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the City’s investments in a single issuer. All of the organization’s cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The City does not hold any foreign investments.

Note C – Inventory Items

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are purchased. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis.

CITY OF BEATTYVILLENOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2021Note D – Payable from Restricted Assets

Certain assets of the City of Beattyville have been restricted for debt service, customer deposit, equipment, infrastructure and construction. The assets consist of cash and short-term investments restricted as follows:

Parks and recreation	\$ 6,441
K-9 donations	100
ABC revenue	9,913
Road aid	139,790
Insurance premium rax	51,287
Cemetery	28,098
ASAP/PEP	97,407
PEP	453
Diabetes	9,949
Lee County solid waste billing fees	4,982
Pump placement reserve	10,286
Depreciation reserve	10,738
Depreciation reserve - cash	43,934
Garbage truck reserve	10,144
Sewer reserve	23,216
Solid waste revenue	5,553
FMHA bond and interest reserves	132,097
Water works deposit	31,051
Rural development depreciation reserve	161,503
<u>Total</u>	<u>\$ 776,942</u>

The depreciation reserve fund requires funding to the reserve account on the following loans at the following levels:

<u>Issue</u>	<u>Required Reserve</u>
2011 Revenue Bonds	\$ 15,660
2013 Revenue Bonds	11,160
2017 Revenue Bonds	<u>4,140</u>
	<u>\$ 30,960</u>

The required reserve amounts have been met.

CITY OF BEATTYVILLENOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2021Note E – Cash per Cash Flow Statement

Cash per cash flow statement at June 30, 2021 is as follows:

Water disbursement fund	\$ 38,827
O & M account	72,226
Petty cash	625
Depreciation reserve - cash	43,934
Rural Development depreciation reserve	161,503
Pump replacement reserve	10,286
FMHA Bond and interest reserves	132,097
Sewer reserve	23,216
Water works deposit	31,051
Garbage truck reserve	10,144
Solid waste revenue	5,553
Depreciation reserve	<u>10,738</u>
<u>Totals</u>	<u>\$ 540,200</u>

Note F – Fund Financial Statements Excess  
Expenditures Over Revenue/Deficit Balances

Excess of expenditures over revenues before other financing sources  
 by fund for the year ended June 30, 2021:

General Fund	\$ 73,233
Water Fund	258,997
Garbage Fund	\$ 24,949

None of the City's funds have a deficit balance at June 30, 2021.

Note G – Allowance for Uncollectible Accounts

Allowance for uncollectible receivables in the Water Fund at June 30, 2021 was \$144,608, Sewer Fund was \$37,756, Garbage Fund was \$46,226 and the General Fund was \$4,060.



## CITY OF BEATTYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note H – Proprietary Funds Property, Plant and Equipment

The following is a summary of changes in the property, plant and equipment of the enterprise funds at June 30, 2021:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<u>Capital assets not being depreciated:</u>				
Land, easement and right of way	\$ 325,809	\$ -	\$ -	\$ 325,809
Construction in progress	419,676	311,704	(254,695)	476,685
Total capital assets not being depreciated	770,567	311,704	(254,695)	802,494
<u>Capital assets being depreciated:</u>				
Sewer lift station	64,529	-	-	64,529
Equipment and other	846,404	100,175	-	946,579
Vehicles	403,848	76,995	-	480,843
Line extension projects	13,912,029	267,477	-	14,179,506
Water plant	2,820,266	-	-	2,820,266
Sewer plant	3,598,737	-	-	3,598,737
Total capital assets being depreciated	21,645,813	444,647	-	22,090,460
<u>Less accumulated depreciation for:</u>				
Sewer lift station	(64,528)	(1)	-	(64,529)
Equipment and other	(654,244)	(25,838)	-	(680,082)
Vehicles	(238,473)	(32,115)	-	(270,588)
Line extension projects	(6,430,424)	(363,257)	-	(6,793,681)
Water plant	(2,491,570)	(49,253)	-	(2,540,823)
Sewer plant	(1,622,802)	(90,409)	-	(1,713,211)
Total accumulated depreciation	(11,502,041)	(560,873)	-	(12,062,914)
<u>Total capital assets being depreciated, net:</u>	<u>10,143,772</u>	<u>(116,226)</u>	<u>-</u>	<u>10,027,546</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 10,914,339</u>	<u>\$ 195,478</u>	<u>\$ (254,695)</u>	<u>\$ 10,830,040</u>

Note I – Governmental Fixed Assets

The following is a summary of changes in governmental fixed assets:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<u>Capital assets not being depreciated:</u>				
Land	\$ 439,973	\$ -	\$ -	\$ 439,973
Construction in progress	25,082	96,023	-	121,105
Total capital assets not being depreciated	\$ 465,055	\$ 96,023	\$ -	\$ 561,078

## CITY OF BEATTYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note I – Governmental Fixed Assets (continued)

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<u>Capital assets being depreciated:</u>				
Building and lot	\$ 1,176,477	\$ 36,437	\$ -	\$ 1,212,914
Vehicles	952,204	-	-	952,204
Equipment	264,712	2,644	-	267,356
Office	36,348	10,378	-	46,726
Streets and infrastructure	<u>3,281,855</u>	<u>-</u>	<u>-</u>	<u>3,281,855</u>
Total capital assets being depreciated	5,711,596	49,459	-	5,761,055
<u>Less accumulated depreciation for:</u>				
Building and lot	(538,910)	(26,141)	-	(565,051)
Vehicles	(766,687)	(52,026)	-	(818,713)
Equipment	(232,004)	(12,418)	-	(244,422)
Office	(34,544)	(401)	-	(34,945)
Streets and infrastructure	<u>(1,511,163)</u>	<u>(143,832)</u>	<u>-</u>	<u>(1,654,995)</u>
Total accumulated depreciation	<u>(3,083,308)</u>	<u>(234,818)</u>	<u>-</u>	<u>(3,318,126)</u>
<u>Total capital assets being depreciated, net:</u>	<u>2,628,288</u>	<u>(185,359)</u>	<u>-</u>	<u>2,442,929</u>
<u>Total governmental fund fixed assets</u>	<u>\$ 3,068,261</u>	<u>\$ (89,336)</u>	<u>\$ -</u>	<u>\$ 3,004,007</u>

Note J – Long Term Debt/Demand Notes

The following is a summary of changes in long-term obligations for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Current
<u>Governmental activities:</u>					
Notes from direct borrowing	\$ 370,891	\$ 55,542	\$ (59,445)	\$ 366,988	\$ 108,704
Total	<u>370,891</u>	<u>55,542</u>	<u>(59,445)</u>	<u>366,988</u>	<u>108,704</u>
<u>Proprietary-type activities:</u>					
General obligation bonds	4,104,333	-	(216,166)	3,888,167	224,085
Notes from direct borrowing	<u>110,602</u>	<u>-</u>	<u>(19,356)</u>	<u>91,246</u>	<u>23,734</u>
Total	<u>4,584,935</u>	<u>-</u>	<u>(235,522)</u>	<u>3,979,413</u>	<u>247,819</u>
	<u>\$4,955,826</u>	<u>\$ 55,542</u>	<u>\$ (294,967)</u>	<u>\$ 4,346,401</u>	<u>\$ 356,523</u>

The City's outstanding notes from direct borrowing related to governmental activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees.

## CITY OF BEATTYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note J – Long Term Debt/Demand Notes (continued)

The City's outstanding notes from direct borrowing related to proprietary-type activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. If the City defaults on the proprietary-type activities related to the Revenue Bonds, the lenders may assign a receiver to administer on behalf of the City to charge and collect rates sufficient to provide for payment of operating and maintenance expenses and for the payment of principal and interest on the outstanding balances.

Principal and interest requirements to retire the City's long-term obligations are as follows:

	Government activities		Proprietary-type activities			
	Notes from		Bonds		Notes from	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 108,704	\$ 12,322	\$ 224,085	\$ 178,315	\$ 23,734	\$ 2,914
2023	58,717	10,554	230,084	160,121	22,938	1,989
2024	42,151	8,634	193,417	148,247	23,922	1,025
2025	33,578	7,146	139,000	139,806	9,408	214
2026	34,969	5,865	141,584	134,968	1,827	126
2027 - 31	88,869	13,958	769,252	623,154	9,417	447
2032 - 36	-	-	820,586	476,706	-	47
2037 - 41	-	-	634,752	316,168	-	-
2042 - 46	-	-	450,407	158,897	-	-
2047 - 51	-	-	185,500	35,596	-	-
2052 - 56	-	-	99,500	6,108	-	-
Total	\$ 366,988	\$ 58,479	\$ 3,888,167	\$ 2,378,086	\$ 91,246	\$ 6,762

In January 2020, the City issued \$3,110,000 in water and sewer revenue bonds with an interest rate of 2.25% to 3%. These refunding bonds were issued to defease bonds issued in 1995, 1997, 2002, 2003 and 2008. Those defeased included the following:

- City of Beattyville Water and Sewer Fund revenue bonds of \$770,000 at 4.5% were issued in 1995 to aid in financing sewer infrastructure.
- City of Beattyville Water and Sewer Fund revenue bonds of \$500,000 at 4.5% interest were issued as of June 19, 1997. The bond proceeds were used to aid in financing the water plant renovation.
- City of Beattyville Water and Sewer Fund revenue bonds of \$551,000 at 4.5% interest rate issued as of March 25, 2002. The bond proceeds were used to aid in financing the Phase III Water Project.
- City of Beattyville Water and Sewer Fund general obligation refunding bonds of \$1,328,000 at 4.55% interest were issued September 23, 2003. The bond proceeds were used for the purpose of refunding the City's outstanding water and sewer revenue bonds, series 1977, series 1981A, series 1981B, series 1986, series 1998, series 1994A, series 1994B, series 1995A, series 1995B, series 1997 and series 2004 and provides a general obligation pledge to assess sufficient taxes to comply with the general obligations to pay bond payments.

## CITY OF BEATTYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

## Note J – Long Term Debt/Demand Notes (continued)

Water and Sewer Fund revenue bonds of \$402,000 at 2.375% interest rate were issued in fiscal year 2011. The bond proceeds were used to aid in financing of the Hwy 11 Project.

During the year ended June 30, 2012 the City entered into an agreement with Kentucky Infrastructure Authority (KIA) related to the Downtown Waterline Extension Project. The City borrowed \$175,000 of which \$140,000 was forgiven. The remaining balance of \$35,000 is payable semi-annually at 1% interest.

Water and Sewer Fund revenue bonds of \$436,000 at 2.75% interest rate were issued in fiscal year 2014. The bond proceeds were used to aid in financing of the Southside Water Project.

Water and Sewer Fund revenue bonds of \$350,000 at 1.625% interest rate were issued in fiscal year 2017. The bond proceeds were used to aid in financing of a sewer pump station.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the above revenue bonds. Proceeds from the bonds were used for rehabilitation or expansion of the City's water and sewer systems.

The City has a line of credit of \$200,000 with Peoples Exchange Bank. At June 30, 2021, the balance outstanding was \$51,708. The amount of unused line of credit at June 30, 2021 was \$148,292.

Individual changes in notes payable are as follows:

	<u>Rate</u>	<u>Due</u>	<u>Collateral</u>	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Current</u>
<u>Proprietary Fund</u>								
KIA - Downtown								
Waterline Extension	1.00%	Semi-Annual	Unsecured	\$ 20,111	\$ -	\$ -	\$ 20,111	\$ 3,494
TCF Equipment Finance	4.47%	Monthly	Equipment	90,491	-	(19,356)	71,135	20,240
2011 Revenue Bonds	2.375%	Semi-Annual	Revenues	340,500	-	(8,000)	332,500	8,000
2013 Revenue Bonds	2.750%	Semi-Annual	Revenues	395,000	-	(7,500)	387,500	7,500
2017 Revenue Bonds	1.625%	Semi-Annual	Revenues	338,000	-	(6,500)	331,500	6,500
KY Bond Corporation	Variable	Semi-Annual	Revenues	3,030,833	-	(194,166)	2,836,667	202,085
Total Proprietary Fund				<u>4,214,935</u>	<u>-</u>	<u>(235,522)</u>	<u>3,979,413</u>	<u>247,819</u>
<u>Governmental Fund</u>								
KLC - Streetscape	1.50%	Monthly		67,160	-	(19,362)	47,798	18,584
KLC - Cemetery	1.50%	Monthly		127,244	-	(15,881)	111,363	14,235
Peoples Exchange Bank	3.25%	Demand		154,679	-	(15,725)	138,954	15,483
Peoples Exchange Bank	3.75%	Line of Credit	Unsecured	-	55,542	(3,834)	51,708	51,708
Citizens Bank and Trust	5.00%	Monthly	Real Estate	21,808	-	(4,643)	17,165	8,694
Total Governmental Fund				<u>370,891</u>	<u>55,542</u>	<u>(59,445)</u>	<u>366,988</u>	<u>108,704</u>
Total All Funds				<u>\$ 4,955,826</u>	<u>\$ 55,542</u>	<u>\$ (294,967)</u>	<u>\$ 4,346,401</u>	<u>\$ 356,523</u>

## CITY OF BEATTYVILLE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note K – Contingent Liabilities

The City's management has stated, as of audit date, litigation pending against the City of Beattyville is estimated to be within the scope of its insurance coverage limitations.

Note L – Interfund – Assets/Liabilities

Due from/to other funds balances at June 30, 2021 were as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund		
Due to/from Water Fund	\$ -	\$ 31,792
Due to/from Cemetery Fund	-	80
Cemetery Fund		
Due to/from General Fund	80	-
Water Fund		
Due to/from General Fund	31,792	-
	<u>\$ 31,872</u>	<u>\$ 31,872</u>

Note M – Interfund – Transfers

Interfund transfers and receipts for the year ended June 30, 2021 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Transfer to/from Water Fund	\$ 375,448	\$ 498,149
Transfer to/from Sewer Fund	249,428	-
Transfer to/from Garbage Fund	-	37,982
Transfer to/from Cemetery Property Fund	360	587
Transfer to/from Municipal Road Aid	-	3,308
Transfer to/from Housing Reimbursement Fund	87,420	88,594
Municipal Road Aid		
Transfer to/from General Fund	3,308	-
Water Fund		
Transfer to/from General Fund	498,149	375,448
Sewer Fund		
Transfer to/from General Fund	-	249,428
Garbage Fund		
Transfer to/from General Fund	37,982	-
Housing Reimbursement Fund		
Transfer to/from General Fund	88,594	87,420
Cemetery Property Fund		
Transfer to/from General Fund	587	360
	<u>\$ 1,341,276</u>	<u>\$ 1,341,276</u>

Transfers were according to state law, budget or various operating purposes.

CITY OF BEATTYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note N – Pension Plans

*Plan Description:* Substantially all full-time employees of the City participate in the County Employees Retirement System (CERS). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800) 928-4646 or at <https://kyret.ky.gov>.

*Benefits Provided* - Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions* - Funding for the plan is provided through payroll withholdings of 5.00% and 8.00% for non-hazardous and hazardous, respectively, except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and 9.00% for non-hazardous and hazardous, respectively and a City contribution of 24.06% and 39.58% of the employee's total compensation subject to contributions for non-hazardous and hazardous duty positions, respectively.

At June 30, 2021, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used was based on an actuarial valuation as of June 30, 2020. At June 30, 2020 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2019 was .028083% for non-hazardous and .028092% for hazardous.

City's proportionate share of the net	
CERS non-hazardous pension liability	<u>\$ 2,153,943</u>

City's proportionate share of the net	
CERS hazardous pension liability	<u>\$ 846,982</u>

For the year ended June 30, 2021, the City's government-wide financial statements CERS pension expense of \$370,647 for non-hazardous and \$97,290 for hazardous. For the year ended June 30, 2021 the City recognized deferred outflows of resources for non-hazardous and hazardous of \$401,901 and \$117,765, respectively, and deferred inflows of resources for non-hazardous and hazardous of \$39,466 and \$130,614 respectively. These amounts will be recognized as a reduction of the net pension liability in the subsequent year end.

The City previously reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments. This will be recognized as pension expense as follows:

## CITY OF BEATTYVILLE

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

## NOTE N – Pension Plans (continued)

	Nonhazardous	Hazardous
Year	Total	Total
2021	\$ 140,858	\$ (7,207)
2022	97,402	(12,903)
2023	30,641	(17,510)
2024	21,649	(2,530)
2025	-	-
Thereafter	-	-
	<u>\$ 290,550</u>	<u>\$ (40,150)</u>

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,713	\$ -	\$ 26,268	\$ -
Changes of assumptions	84,108	-	32,122	-
Net difference between projected and actual earnings on pension plan investments	93,366	39,466	32,074	12,994
Changes in proportion and differences between City contributions and proportionate share of contributions	98,828	-	-	117,620
City contributions subsequent to the measurement date	71,886	-	27,301	-
Total	<u>\$ 401,901</u>	<u>\$ 39,466</u>	<u>\$ 117,765</u>	<u>\$ 130,614</u>

*Actuarial Methods and Assumptions* - The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date, June 30, 2018
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed
- Remaining Amortization Period – 25 years, closed
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Payroll growth rate – 2%
- Inflation – 2.30%
- Salary increases, 3.30% to 11.55%, varies by service for non-hazardous; 3.05% to 18.55%, varies by service for hazardous
- Investment return – 6.25%
- RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

## CITY OF BEATTYVILLE

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE N – Pension Plans (continued)

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

Non-hazardous and Hazardous		Long-term
		Expected
	Target	Nominal
<u>Asset Class</u>	<u>Allocation</u>	<u>Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed contributions from plan members 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 assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2019 actuarial valuations. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five year period.



## CITY OF BEATTYVILLE

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE N – Pension Plans (continued)

The following presents the City's proportionate share of net pension liability calculated using the discount rate of 6.25% as well as the City's share, if calculated using a rate 1% higher and 1% lower:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of net non-hazardous pension liability	\$ 2,656,280	\$ 2,153,943	\$ 1,737,988
City's proportionate share of net hazardous pension liability	\$ 1,046,749	\$ 846,982	\$ 683,919

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

The payable to the pension plan at June 30, 2021 was \$28,150.

Note O – OPEB Plans**General Information about the OPEB Plan**

*Plan description* – Substantially all full-time employees of the City are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800)928-4646 or at <https://kyret.ky.gov>.

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KRS Insurance Fund. The following information is about the KRS plans:

## CITY OF BEATTYVILLE

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note O – OPEB Plans (continued)**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, KRS provides post-employment healthcare benefits to eligible members and dependents. The KRS Insurance benefit is a cost-sharing multiple employer defined benefit plan.

*Benefits provided* – Benefits under the plan will vary based on years of service and other factors as fully described in the plan documents.

*Contributions* – In order to fund the post-retirement healthcare benefit, participants hired on or after September 1, 2008 contribute 1% of total compensation subject to contribution for non-hazardous and hazardous duty positions. Also, the premiums collected from retirees as described in the plan documents and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2021, the City of Beattyville reported a liability of \$677,926 and \$259,517 for its proportionate share of the collective net CERS non-hazardous and hazardous OPEB liability, respectively. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportion was .028075% for non-hazardous and .028083% for hazardous. At June 30, 2020, the City's proportion share was .026532% for non-hazardous and .033696% for hazardous.

The amount recognized by the City as its proportionate share of the OPEB liability was as follows:

City's proportionate share of the net CERS non-hazardous OPEB liability	<u>\$ 677,926</u>
City's proportionate share of the net CERS hazardous OPEB liability	<u>\$ 259,517</u>

## CITY OF BEATTYVILLE

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

## Note O – OPEB Plans (continued)

For the year ended June 30, 2021, the City recognized OPEB expense of \$100,115 and \$31,517 for non-hazardous and hazardous, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113,267	\$ 113,356	\$ 8,906	\$ 25,916
Changes of assumptions	117,919	717	42,337	239
Net difference between projected and actual earnings on plan investments	36,366	13,833	19,216	7,697
Changes in proportion and differences between City contributions and proportionate share of contributions	34,111	505	-	43,308
City contributions subsequent to the measurement date	17,729	-	8,646	-
Total	<u>\$ 319,392</u>	<u>\$ 128,411</u>	<u>\$ 79,105</u>	<u>\$ 77,160</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

	Non-hazardous	Hazardous
<u>Year</u>	<u>Total</u>	<u>Total</u>
2021	\$ 45,462	\$ (1,445)
2022	52,131	(6,297)
2023	39,340	1,664
2024	39,198	1,850
2025	(879)	(2,474)
Thereafter	-	-
	<u>\$ 175,252</u>	<u>\$ (6,702)</u>

CITY OF BEATTYVILLE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note O – OPEB Plans (continued)

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

- Valuation date, June 30, 2018
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed
- Remaining Amortization Period – 25 years, closed
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Payroll growth rate – 2%
- Inflation – 2.30%
- Salary increases, 3.30% to 11.55%, varies by service for non-hazardous; 3.05% to 18.55%, varies by service for hazardous
- Investment return – 6.25%
- RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
- Phase-in Provision-Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
- Healthcare cost trend rates
 

Under 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

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

## CITY OF BEATTYVILLE

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

## Note O – OPEB Plans (continued)

Non-hazardous and Hazardous	Target	Long-term Expected Nominal Return
<u>Asset Class</u>	<u>Allocation</u>	
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%

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

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34% and 5.30% for non-hazardous and hazardous, respectively, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34% for non-hazardous and 4.30% hazardous) or 1-percentage-point higher (6.34% for non-hazardous and 6.30% for hazardous) than the current rate:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
City's proportionate share of net non-hazardous OPEB liability	\$ 870,936	\$ 677,926	\$ 519,400
	1% Decrease (4.30%)	Current Discount Rate (5.30%)	1% Increase (6.30%)
City's proportionate share of net hazardous OPEB liability	\$ 352,287	\$ 259,517	\$ 184,762

CITY OF BEATTYVILLE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note O – OPEB Plans (continued)

*Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of net non-hazardous OPEB liability	\$ 524,884	\$ 677,926	\$ 863,646
	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of net hazardous OPEB liability	\$ 173,469	\$ 259,517	\$ 341,817

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Note P – Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note Q – Insurance and Related Activities

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated, which includes worker's compensation insurance.

Note R - Concentrations

The City's enterprise operations are concentrated in the Lee County area. The city's governmental operations are dependent on a sustaining tax base and assistance from local, state and federal authorities.

CITY OF BEATTYVILLENOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2021Note S -Subsequent Events

The City continues to monitor the direct and indirect effects of COVID-19, which has led to closings of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projections reflecting any significant changes in revenues or expenditures affecting the City as a result of the coronavirus.

As of January 2022, the City will be charging Beattyville Housing and Development Corporation \$400 per month for processing payroll.

Note T -Restatement of Fund Balance/Net Position

Governmental Net Position was increased by \$25,082 to reclassify expenditures related to a Sewer Fund capital project.

The City restated net position as summarized below:

Adjustments to recognize restatement:	
Governmental funds	\$25,082
Water Fund	17,612
Sewer Fund	<u>(21,727)</u>
Total	\$20,967

Water and Sewer Funds were adjusted for the above reclassification and to correct an error related to the 2020 refunding of a 2003 Revenue Bond.

SUPPLEMENTARY INFORMATION



## CITY OF BEATTYVILLE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2021

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES:</u>			
Taxes	\$ 227,000	\$ 306,406	\$ 79,406
Licenses and permits	610,000	568,983	(41,017)
Intergovernmental revenues	61,500	440,707	379,207
Other	26,900	40,394	13,494
<u>Total revenues</u>	<u>925,400</u>	<u>1,356,490</u>	<u>431,090</u>
<u>EXPENDITURES:</u>			
<u>Current:</u>			
General government	153,900	364,800	(210,900)
Police	531,900	544,662	(12,762)
Fire	30,160	14,097	16,063
Highways and streets	180,552	442,848	(262,296)
Capital outlay	-	49,459	(49,459)
Debt service	48,288	69,399	(21,111)
<u>Total expenditures</u>	<u>944,800</u>	<u>1,485,265</u>	<u>(540,465)</u>
Excess of revenue over (under) expenditures	<u>(19,400)</u>	<u>(128,775)</u>	<u>(109,375)</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Loan proceeds	-	55,542	55,542
Operating transfers in (out)	-	84,036	84,036
Interest - net	-	9	9
<u>Total other financing sources (uses)</u>	<u>-</u>	<u>139,587</u>	<u>139,587</u>
Excess of revenues over (under) expenditures and other sources (uses)	<u>(19,400)</u>	<u>10,812</u>	<u>30,212</u>
<u>FUND BALANCE - JULY 1,</u>	<u>-</u>	<u>32,127</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>	<u>\$ 42,939</u>	<u>\$ -</u>

See notes to financial statements and independent auditor's report.

CITY OF BEATTYVILLE

**SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS**

For the Year Ended June 30, 2021

	<b>Employer's Proportionate Share of Net Pension Liability</b>					
	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>
Employer's proportion of the net pension liability	0.028083%	0.028092%	0.026539%	0.033703%	0.025423%	0.0348430%
Employer's proportionate share of the net pension liability	2,153,943	846,982	1,866,500	930,976	1,548,338	842,663
Employer's covered employee payroll	745,176	214,202	728,659	164,127	703,004	191,219
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.05%	395.41%	256.16%	567.23%	220.25%	440.68%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	44.11%	50.45%	46.63%	53.54%	49.26%

	<b>Employer's Contributions</b>					
	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>
Contractually required contribution	138,833	49,337	108,582	47,736	91,241	43,089
Contributions in relation to the contractually required contribution	138,833	49,337	108,582	47,736	91,241	43,089
Contribution deficiency (excess)					-	-
City's covered employee payroll	745,176	214,202	728,659	930,976	703,004	191,219
Contributions as a percentage of covered employee payroll	18.63%	23.03%	14.90%	5.13%	12.98%	22.53%

Change of benefit terms - None

Changes of assumptions - None

Until a full 10-year trend is compiled, the City will present information for years available.

Ultimately, ten year of data will be presented.

See notes to financial statements and independent auditor's report.

CITY OF BEATTYVILLE

**SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS**

For the Year Ended June 30, 2021

	<b>Employer's Proportionate Share of Net Pension Liability</b>							
	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
	CERS	CERS	CERS	CERS	CERS	CERS	CERS	CERS
	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Non-hazardous</u>	<u>Hazardous</u>
Employer's proportion of the net pension liability	0.02508%	0.03746%	0.02793%	0.03286%	0.02975%	0.03497%	0.03164%	0.03249%
Employer's proportionate share of the net pension liability	1,467,717	837,995	1,375,122	563,811	1,279,310	536,768	1,027,000	391,000
Employer's covered employee payroll	666,412	194,348	672,103	205,610	727,226	177,708	698,554	179,437
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	220.24%	431.18%	204.60%	274.21%	175.92%	302.05%	147.02%	217.90%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	62.60%	59.80%

**Employer's Contributions**

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
	CERS	CERS	CERS	CERS	CERS	CERS	CERS	CERS
	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Non-hazardous</u>	<u>Hazardous</u>
Contractually required contribution	85,168	44,638	79,348	34,734	88,837	37,788	82,000	30,000
Contributions in relation to the contractually required contribution	85,168	44,638	77,437	33,087	88,513	37,077	82,000	30,000
Contribution deficiency (excess)	-	-	1,911	1,647	324	711	-	-
City's covered employee payroll	666,412	194,348	672,103	205,610	727,226	177,708	698,554	179,437
Contributions as a percentage of covered employee payroll	12.78%	22.97%	11.52%	16.09%	12.17%	20.86%	11.74%	16.72%

Change of benefit terms - None

Changes of assumptions -None

Until a full 10-year trend is compiled, the City will present information for years available.

Ultimately, ten year of data will be presented.

See notes to financial statements and independent auditor's report.

CITY OF BEATTYVILLE

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

For the Year Ended June 30, 2021

	<b>Employer's Proportionate Share of Net OPEB Liability</b>							
	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>
Employer's proportion of the net OPEB liability	0.028075%	0.028083%	0.026532%	0.033696%	0.025422%	0.034845%	0.025075%	0.037456%
Employer's proportionate share of the net OPEB liability	677,926	259,517	446,256	249,303	451,363	248,431	504,093	309,638
Employer's covered employee payroll	745,176	214,202	728,659	164,127	703,004	191,219	666,412	194,348
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	90.98%	121.16%	61.24%	151.90%	64.20%	129.92%	75.64%	159.32%
Plan fiduciary net position as a percentage of the total pension liability	51.67%	58.84%	60.44%	64.44%	57.62%	64.24%	52.40%	59.00%

	<b>Employer's Contributions</b>							
	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>
Contractually required contribution	34,241	15,625	35,212	20,096	29,616	18,148	28,878	19,225
Contributions in relation to the contractually required contribution	34,241	15,625	35,212	20,096	29,616	18,148	28,878	19,225
Contribution deficiency (excess)			-	-	-	-	-	-
City's covered employee payroll	745,176	214,202	728,659	164,127	703,004	191,219	666,412	194,348
Contributions as a percentage of covered employee payroll	4.60%	7.29%	4.83%	12.24%	4.21%	9.49%	4.33%	9.89%

Until a full 10-year trend is compiled, the City will present information for years available.

Ultimately, ten year of data will be presented.

See notes to financial statements and independent auditor's report.

## CITY OF BEATTYVILLE

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDSJune 30, 2021

	Housing Reimbursement Fund	Municipal Road Aid	PEP, Inc.	Cemetery Property Fund	Total
<u>ASSETS</u>					
Cash	\$ 4,520	\$ 139,790	\$ 107,808	\$ 28,098	\$ 280,216
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>80</u>
<u>Total assets</u>	<u>4,520</u>	<u>139,790</u>	<u>107,808</u>	<u>28,178</u>	<u>280,296</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts payable	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>3,769</u>
<u>Total liabilities</u>	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>3,769</u>
<u>Fund Balance</u>					
Restricted	<u>791</u>	<u>139,790</u>	<u>107,808</u>	<u>28,138</u>	<u>276,527</u>
<u>Total fund balance</u>	<u>791</u>	<u>139,790</u>	<u>107,808</u>	<u>28,138</u>	<u>276,527</u>
<u>Total liabilities and fund balances</u>	<u>\$ 4,520</u>	<u>\$ 139,790</u>	<u>\$ 107,808</u>	<u>\$ 28,178</u>	<u>\$ 280,296</u>

See independent auditor's report.

## CITY OF BEATTYVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2021

	Housing Reimbursement Fund	Municipal Road Aid	PEP, Inc.	Cemetery Property Fund	Total
<u>REVENUES:</u>					
Intergovernmental revenues	\$ 213,986	\$ 25,403	\$ 45,376	\$ -	\$ 284,765
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,015</u>	<u>15,015</u>
<u>Total revenues</u>	<u>213,986</u>	<u>25,403</u>	<u>45,376</u>	<u>15,015</u>	<u>299,780</u>
<u>EXPENDITURES</u>					
General administration	-	-	-	523	523
Highways and streets	-	932	-	-	932
Community services	-	-	21,889	-	21,889
Other expenditures	<u>213,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,920</u>
<u>Total expenditures</u>	<u>213,920</u>	<u>932</u>	<u>21,889</u>	<u>523</u>	<u>237,264</u>
<u>Excess (deficiency) of revenues over (under) expenditures</u>	<u>66</u>	<u>24,471</u>	<u>23,487</u>	<u>14,492</u>	<u>62,516</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	88,594	3,308	-	587	92,489
Other transfers (out)	<u>(87,420)</u>	<u>-</u>	<u>-</u>	<u>(360)</u>	<u>(87,780)</u>
<u>Total other financing sources (uses)</u>	<u>1,174</u>	<u>3,308</u>	<u>-</u>	<u>227</u>	<u>4,709</u>
<u>Excess (deficiency) of revenues and other sources over (under) expenditures and other uses</u>	<u>1,240</u>	<u>27,779</u>	<u>23,487</u>	<u>14,719</u>	<u>67,225</u>
<u>FUND BALANCE - JULY 1</u>	<u>(449)</u>	<u>112,011</u>	<u>84,321</u>	<u>13,419</u>	<u>209,302</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 791</u>	<u>\$ 139,790</u>	<u>\$ 107,808</u>	<u>\$ 28,138</u>	<u>\$ 276,527</u>

See independent auditor's report.

CITY OF BEATTYVILLECOMBINING BALANCE SHEET – ALL CAPITAL PROJECTSJune 30, 2021

	AML Town Square <u>Project</u>
<u>ASSETS</u>	
Cash	\$ -
Grants receivable	<u>9,175</u>
<u>Total assets</u>	<u><u>9,175</u></u>
<u>LIABILITIES</u>	
Accounts payable	<u>9,175</u>
<u>Total liabilities</u>	<u><u>9,175</u></u>
<u>FUND EQUITY</u>	
<u>Fund Balance</u>	
Restricted for capital outlay	<u>-</u>
<u>Total fund equity</u>	<u><u>-</u></u>
 Total liabilities and <u>fund balance</u>	 \$ <u><u>9,175</u></u>

See independent auditor's report.

CITY OF BEATTYVILLECOMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL CAPITAL PROJECTSFor the Year Ended June 30, 2021

	AML Town Square Project
<u>REVENUES:</u>	
Intergovernmental revenues	\$ 96,023
Other revenue	<u>-</u>
<u>Total revenues</u>	<u>96,023</u>
<u>EXPENDITURES</u>	
Capital outlay	<u>96,023</u>
<u>Total expenditures</u>	<u>96,023</u>
<u>Excess of revenues over (under) expenditures</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES):</u>	
Transfer in (out)	-
Loan proceeds	<u>-</u>
<u>Total other financing sources (uses)</u>	<u>-</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>-</u>
<u>FUND BALANCE - JULY 1</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>

See independent auditor's report.



## Chris Gooch

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700 FAX: (606) 436-5701  
chrisgooch@chrisgoochcpa.com

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 and City Council  
City of Beattyville  
Beattyville, 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 the City of Beattyville, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Beattyville, Kentucky's basic financial statements, and have issued our report thereon dated January 6, 2022.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Beattyville, 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 Beattyville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Beattyville, Kentucky'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Beattyville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**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.

A handwritten signature in dark ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

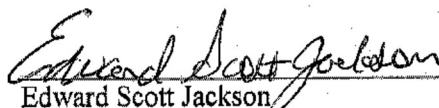
January 6, 2022

APPENDIX A

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
CITY OF BEATTYVILLE

For the year ended June 30, 2021

The City of Beattyville hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by applicable Kentucky Revised Statutes.

  
Edward Scott Jackson  
Mayor