

**CITY OF BEAVER DAM, KENTUCKY  
COMPILED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2018**

**CITY OF BEAVER DAM, KENTUCKY  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**PAGE**

**ACCOUNTANTS' COMPILATION REPORT** ..... 1-2

**GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

Statement of Net Position..... 3  
Statement of Activities ..... 4

**FUND FINANCIAL STATEMENTS:**

Governmental Funds:  
    Balance Sheet..... 5  
    Statement of Revenues, Expenditures and Changes in Fund Balances ..... 6  
    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
        Balances of Governmental Funds to the Statement of Activities ..... 7  
Proprietary Funds:  
    Statement of Net Position ..... 8  
    Statement of Revenues, Expenses and Changes in Net Position ..... 9-10  
    Statement of Cash Flows ..... 11-12  
Fiduciary Fund:  
    Statement of Net Position ..... 13  
    Notes to Basic Financial Statements ..... 14-45

**REQUIRED SUPPLEMENTARY INFORMATION:**

Budgetary Comparison Schedule – Major Fund ..... 46  
Schedule of the City's Proportionate Share of the Net Pension Liability ..... 47  
Schedule of the City's Pension Contributions ..... 48  
Schedule of the City's Proportionate Share of the Net OPEB Liability ..... 49  
Schedule of the City's OPEB Contributions ..... 50  
Notes to Required Supplementary Information..... 51-52

**OTHER SUPPLEMENTARY INFORMATION:**

Combining and Individual Non-major Governmental Fund Statements:  
    Combining Balance Sheet..... 53  
    Combining Statement of Revenues, Expenditures and Changes in Fund Balances..... 54  
Schedule of Charges for Services – Proprietary Funds ..... 55

# Buckles, Travis & Hart, PLLC

Certified Public Accountants

DENNIS R. BUCKLES, CPA  
BRAD K. TRAVIS, CPA/PFS  
ROBIN G. HART, CPA

[www.graysoncpas.com](http://www.graysoncpas.com)

211 West White Oak Street  
Post Office Box 4069  
Leitchfield, KY 42755-4069  
Phone 270-259-5604  
Fax 270-259-5603

## ACCOUNTANTS' COMPILATION REPORT

To the Honorable Paul Sandefur, Mayor  
and the Board of City Commissioners of the  
City of Beaver Dam, Kentucky

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Beaver Dam, Kentucky, as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 46, the schedule of the City's proportionate share of the net pension liability on page 47, the schedule of the City's pension contributions on page 48, the schedule of the City's proportionate share of the net OPEB liability on page 49, the schedule of the City's OPEB contributions on page 50, and the notes to the required supplementary information on pages 51-52 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information

was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

**Other Matter**

The Combining Balance Sheet on page 53, Combining Statement of Revenues, Expenditures and Changes in Fund Balances on page 54 and Schedule of Charges for Services – Proprietary Funds on page 55 are presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to City of Beaver Dam, Kentucky.

Respectfully submitted,

*Buckles, Travis & Hart, PLLC*

Buckles, Travis & Hart, PLLC  
Certified Public Accountants  
Leitchfield, Kentucky  
December 17, 2018

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Beaver Dam, Kentucky**  
**Statement of Net Position**  
**June 30, 2018**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,041,176	\$ 1,757,602	\$ 2,798,778	\$ 35,439
Accounts receivable	162,220	288,423	450,643	0
Due from component unit	158,508	0	158,508	0
Due from primary government	0	0	0	93,075
Interfund receivables	15	0	15	0
Unbilled revenue	0	82,818	82,818	0
<b>TOTAL CURRENT ASSETS</b>	<b>1,361,919</b>	<b>2,128,843</b>	<b>3,490,762</b>	<b>128,514</b>
<b>NONCURRENT ASSETS</b>				
Restricted cash and cash equivalents	560,456	0	560,456	0
Investments – noncurrent	1,000	0	1,000	0
Capital assets not being depreciated	865,921	0	865,921	0
Other capital assets, net of depreciation	5,114,344	2,993,978	8,108,322	24,177
<b>TOTAL NONCURRENT ASSETS</b>	<b>6,541,721</b>	<b>2,993,978</b>	<b>9,535,699</b>	<b>24,177</b>
<b>TOTAL ASSETS</b>	<b>7,903,640</b>	<b>5,122,821</b>	<b>13,026,461</b>	<b>152,691</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts from pension	276,906	174,251	451,157	0
Deferred amounts from OPEB	88,770	55,856	144,626	0
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>365,676</b>	<b>230,107</b>	<b>595,783</b>	<b>0</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	22,514	61,535	84,049	49,460
Accrued liabilities	107,465	27,679	135,144	0
Accrued interest payable	0	262	262	0
Interfund payables	10,970	4,645	15,615	0
Due to primary government	0	0	0	158,508
Due to component unit	93,075	0	93,075	0
Customer deposits	0	73,965	73,965	0
Notes payable – current portion	167,448	29,996	197,444	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>401,472</b>	<b>198,082</b>	<b>599,554</b>	<b>207,968</b>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	942,800	599,488	1,542,288	0
Net OPEB liability	323,808	205,897	529,705	0
Notes payable – long-term portion	2,023,009	283,863	2,306,872	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,289,617</b>	<b>1,089,248</b>	<b>4,378,865</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>3,691,089</b>	<b>1,287,330</b>	<b>4,978,419</b>	<b>207,968</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts from pension	25,089	15,952	41,041	0
Deferred amounts from OPEB	16,954	10,780	27,734	0
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>42,043</b>	<b>26,732</b>	<b>68,775</b>	<b>0</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,789,808	2,680,119	6,469,927	0
Restricted for				
MRA	19,955	0	19,955	0
Cemetery maintenance	173,985	0	173,985	0
LGEA	247,853	0	247,853	0
Community pride	322	0	322	0
Tourism/amphitheater	118,341	0	118,341	(55,277)
Unrestricted, expendable	185,920	1,358,747	1,544,667	0
<b>TOTAL NET POSITION</b>	<b>\$ 4,536,184</b>	<b>\$ 4,038,866</b>	<b>\$ 8,575,050</b>	<b>\$ (55,277)</b>

See accompanying notes and accountants' compilation report.

**City of Beaver Dam, Kentucky  
Statement of Activities  
Year Ended June 30, 2018**

Functions/Programs:	Expenses	Program Revenues Received			Net (Expense) Revenue Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Tourism Commission
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 390,140	\$ 8,035	\$ 0	\$ 18,153	\$ (363,952)	\$ 0	\$ (363,952)	\$ 0
Public safety								
Police	666,385	0	37,056	2,665	(626,664)	0	(626,664)	0
Fire	75,655	14,595	24,000	0	(37,060)	0	(37,060)	0
Parks and recreation	280,688	1,260	7,385	3,000	(269,043)	0	(269,043)	0
Code enforcement	11,357	0	0	0	(11,357)	0	(11,357)	0
Streets	201,430	0	0	105,991	(95,439)	0	(95,439)	0
Cemetery	43,080	20,550	0	0	(22,530)	0	(22,530)	0
Tourism	513,516	0	0	0	(513,516)	0	(513,516)	0
Community pride project	0	40	0	0	40	0	40	0
<b>Total governmental activities</b>	<u>2,182,251</u>	<u>44,480</u>	<u>68,441</u>	<u>129,809</u>	<u>(1,939,521)</u>	<u>0</u>	<u>(1,939,521)</u>	<u>0</u>
<b>Business-type activities</b>								
Water utilities	588,592	725,489	0	0	0	136,897	136,897	0
Sewer services	1,141,009	1,191,204	0	0	0	50,195	50,195	0
Sanitation services	170,768	197,994	0	0	0	27,226	27,226	0
<b>Total business-type activities</b>	<u>1,900,369</u>	<u>2,114,687</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>214,318</u>	<u>214,318</u>	<u>0</u>
<b>Total primary government</b>	<u>\$ 4,082,620</u>	<u>\$ 2,159,167</u>	<u>\$ 68,441</u>	<u>\$ 129,809</u>	<u>(1,939,521)</u>	<u>214,318</u>	<u>(1,725,203)</u>	<u>0</u>
<b>Component unit</b>								
Tourism Commission	<u>\$ 1,043,191</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>(1,043,191)</u>
General revenues								
Taxes								
Property taxes					394,808	0	394,808	0
Ad-valorem taxes					40,478	0	40,478	0
Franchise taxes					179,423	0	179,423	0
Insurance premium taxes					283,510	0	283,510	0
Alcohol Tax					149,816	0	149,816	0
Restaurant and transient room taxes					567,736	0	567,736	0
Occupational licenses					21,254	0	21,254	0
Gain/loss on sale of fixed assets					0	0	0	0
Payment from component unit/primary government					298,512	0	298,512	513,516
Other income					41,860	0	41,860	500,923
Interest income					6,268	5,775	12,043	0
Transfers					0	0	0	0
Total general revenues					<u>1,983,665</u>	<u>5,775</u>	<u>1,989,440</u>	<u>1,014,439</u>
Change in net position					44,144	220,093	264,237	(28,752)
Net position – beginning of year					4,725,444	3,967,183	8,692,627	(26,525)
Restatement for GASB 75 implementation					(233,404)	(148,410)	(381,814)	0
Net position – beginning of year, as restated					<u>4,492,040</u>	<u>3,818,773</u>	<u>8,310,813</u>	<u>(26,525)</u>
Net position – end of year					<u>\$ 4,536,184</u>	<u>\$ 4,038,866</u>	<u>\$ 8,575,050</u>	<u>\$ (55,277)</u>

See accompanying notes and accountants' compilation report.

## **FUND FINANCIAL STATEMENTS**

**City of Beaver Dam, Kentucky**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<b>General Fund</b>	<b>Non-major Funds</b>	<b>Total Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,041,176	\$ 0	\$ 1,041,176
Accounts receivable	162,220	0	162,220
Due from component unit	158,508	0	158,508
Interfund receivables	14	1	15
Restricted cash and cash equivalents	118,341	442,115	560,456
Investments – noncurrent	0	1,000	1,000
<b>TOTAL ASSETS</b>	<b>\$ 1,480,259</b>	<b>\$ 443,116</b>	<b>\$ 1,923,375</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 17,069	\$ 5,445	\$ 22,514
Accrued liabilities	104,701	2,764	107,465
Due to component unit	93,075	0	93,075
Interfund payables	10,383	587	10,970
<b>TOTAL LIABILITIES</b>	<b>225,228</b>	<b>8,796</b>	<b>234,024</b>
 <b>FUND BALANCES</b>			
Nonspendable	0	0	0
Restricted for			
Cemetery maintenance	0	173,985	173,985
Municipal roads	0	19,955	19,955
Other purposes – LGEA	0	247,853	247,853
Tourism/amphitheater	118,341	0	118,341
Committed	0	0	0
Assigned to			
Community projects	0	322	322
Unassigned	1,136,690	(7795)	1,128,895
<b>TOTAL FUND BALANCES</b>	<b>1,255,031</b>	<b>434,320</b>	<b>1,689,351</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,480,259</b>	<b>\$ 443,116</b>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	5,980,265
Deferred outflows of resources for pension is not reported in the governmental funds.	276,906
Deferred outflows of resources for OPEB is not reported in the governmental funds.	88,770
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(2,190,457)
Net pension liability	(942,800)
Net OPEB liability	(323,808)
Deferred inflows of resources for pension is not reported in the governmental funds.	(25,089)
Deferred inflows of resources for OPEB is not reported in the governmental funds.	(16,954)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,536,184</b>

**City of Beaver Dam, Kentucky**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances**  
**Governmental Funds**  
**Year End June 30, 2018**

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,615,771	\$ 0	\$ 1,615,771
Licenses and permits	21,254	0	21,254
Intergovernmental	86,059	105,991	192,050
Charges for services	30,090	20,590	50,680
Payments from component unit	298,512	0	298,512
Miscellaneous	36,211	5,647	41,858
Interest income	4,992	1,276	6,268
<b>TOTAL REVENUES</b>	<u>2,092,889</u>	<u>133,504</u>	<u>2,226,393</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	268,946	0	268,946
Public safety			
Police	457,371	0	457,371
Fire	40,622	0	40,622
Parks and recreation	81,140	0	81,140
Code enforcement	11,357	0	11,357
Tourism – payment to component unit	513,516	0	513,516
Streets	0	124,120	124,120
Cemetery	0	42,024	42,024
Community pride project	0	0	0
<b>Debt service</b>			
Principal	141,901	0	141,901
Interest	69,709	0	69,709
<b>Capital Outlay</b>	713,020	134,928	847,948
<b>TOTAL EXPENDITURES</b>	<u>2,297,582</u>	<u>301,072</u>	<u>2,598,654</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(204,693)	(167,568)	(372,261)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	0	0	0
Transfers from other funds	63,915	195,000	258,915
Transfers to other funds	(195,000)	(63,915)	(258,915)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(131,085)</u>	<u>131,085</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	(335,778)	(36,483)	(372,261)
<b>FUND BALANCES – BEGINNING</b>	<u>1,590,809</u>	<u>470,803</u>	<u>2,061,612</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 1,255,031</u>	<u>\$ 434,320</u>	<u>\$ 1,689,351</u>

**City of Beaver Dam, Kentucky**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2018**

Net change in fund balances – total governmental funds \$ (372,261)

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

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 depreciation expense.

Capital outlay	847,948
Depreciation	(270,976)

Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (\$0) exceeded repayments (\$141,901). 141,901

Rounding (1)

In the statement of activities, the change in net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources are reported. Whereas these changes are not reported in the governmental funds. Thus the change in net position differs from the change in fund balance by the respective increase or decrease in these accounts.

Net pension liability	(392,859)
Deferred outflows of resources – pension	132,606
Deferred inflows of resources – pension	(23,627)
Net OPEB liability	(69,822)
Deferred outflows of resources – OPEB	68,189
Deferred inflows of resources – OPEB	(16,954)
	(16,954)

Change in net position of governmental activities \$ 44,144

**City of Beaver Dam, Kentucky**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 715,850	\$ 855,342	\$ 186,410	\$ 1,757,602
Accounts receivable	89,770	181,214	17,439	288,423
Unbilled revenue	29,142	53,676	0	82,818
Interfund receivables	0	319	0	319
<b>TOTAL CURRENT ASSETS</b>	<b>834,762</b>	<b>1,090,551</b>	<b>203,849</b>	<b>2,129,162</b>
<b>NONCURRENT ASSETS</b>				
<b>CAPITAL ASSETS</b>				
Construction in progress	0	0	0	0
Land and land improvements	25,490	133,182	500	159,172
Building improvements	28,669	27,128	3,728	59,525
Office equipment	13,748	19,640	4,948	38,336
Vehicles	78,523	78,560	217,400	374,483
Machinery and equipment	334,370	269,661	0	604,031
Utility plants	1,670,213	1,407,183	0	3,077,396
Sewage disposal system	0	2,020,597	0	2,020,597
Accumulated depreciation	(1,462,147)	(1,729,393)	(148,022)	(3,339,562)
<b>TOTAL NONCURRENT ASSETS</b>	<b>688,866</b>	<b>2,226,558</b>	<b>78,554</b>	<b>2,993,978</b>
<b>TOTAL ASSETS</b>	<b>1,523,628</b>	<b>3,317,109</b>	<b>282,403</b>	<b>5,123,140</b>
<b>DERERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts from pension	47,465	93,046	33,740	174,251
Deferred amounts from OPEB	15,210	29,826	10,820	55,856
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>62,675</b>	<b>122,872</b>	<b>44,560</b>	<b>230,107</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	45,707	11,466	4,362	61,535
Accrued liabilities	14,451	12,429	799	27,679
Accrued interest payable	0	262	0	262
Interfund payables	1,189	2,790	985	4,964
Customer deposits	73,965	0	0	73,965
Notes payable – current portion	0	29,996	0	29,996
<b>TOTAL CURRENT LIABILITIES</b>	<b>135,312</b>	<b>56,943</b>	<b>6,146</b>	<b>198,401</b>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	167,956	319,562	111,970	599,488
Net OPEB liability	57,685	109,755	38,457	205,897
Notes payable – long-term portion	0	283,863	0	283,863
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>225,641</b>	<b>713,180</b>	<b>150,427</b>	<b>1,089,248</b>
<b>TOTAL LIABILITIES</b>	<b>360,953</b>	<b>770,123</b>	<b>156,573</b>	<b>1,287,649</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts from pension	4,469	8,504	2,979	15,952
Deferred amounts from OPEB	3,020	5,747	2,013	10,780
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,489</b>	<b>14,251</b>	<b>4,992</b>	<b>26,732</b>
<b>NET POSITION</b>				
Net investment in capital assets	688,866	1,912,699	78,554	2,680,119
Unrestricted, (deficit)	528,995	742,908	86,844	1,358,747
<b>TOTAL NET POSITION</b>	<b>\$ 1,217,861</b>	<b>\$ 2,655,607</b>	<b>\$ 165,398</b>	<b>\$ 4,038,866</b>

See accompanying notes and accountants' compilation report.

**City of Beaver Dam, Kentucky**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 637,974	\$ 1,180,412	\$ 188,089	\$ 2,006,475
Miscellaneous	6,610	10,792	0	17,402
Pension Income	80,905	0	9,905	90,810
<b>TOTAL OPERATING REVENUES</b>	<b>725,489</b>	<b>1,191,204</b>	<b>197,994</b>	<b>2,114,687</b>
<b>OPERATING EXPENSES</b>				
Sewage treatment	0	713,585	0	713,585
Salaries	92,059	123,101	46,125	261,285
Payroll tax expense	7,054	9,322	3,649	20,025
Employee retirement	0	55,291	0	55,291
Employee insurance	19,885	37,675	25,853	83,413
Advertising	0	0	158	158
Professional fees	17,600	23,939	3,221	44,760
Maintenance and repairs	5,468	13,500	2,281	21,249
Travel	1,394	359	0	1,753
Utilities	15,626	22,078	0	37,704
Communications and postage	5,111	4,322	1,744	11,177
Insurance and bonds	12,484	18,514	13,599	44,597
Other contractual services	61,273	384	42,400	104,057
Water purchased	255,397	0	0	255,397
Technical supplies	20,640	11,899	0	32,539
Uniforms	3,970	2,792	3,831	10,593
Motor fuel and lubricants	8,642	6,179	7,816	22,637
Office supplies	1,807	2,301	323	4,431
Other supplies	3,133	3,759	691	7,583
Dues and subscription	971	0	0	971
Miscellaneous expense	179	55	50	284
Depreciation expense	55,899	87,945	19,027	162,871
<b>TOTAL OPERATING EXPENSES</b>	<b>588,592</b>	<b>1,137,000</b>	<b>170,768</b>	<b>1,896,360</b>
<b>OPERATING INCOME (LOSS)</b>	<b>136,897</b>	<b>54,204</b>	<b>27,226</b>	<b>218,327</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	2,483	2,920	372	5,775
Interest expense	0	(3,337)	0	(3,337)
Lease executory cost	0	(672)	0	(672)
Gain/loss on disposal of fixed assets	0	0	0	0
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>2,483</b>	<b>(1,089)</b>	<b>372</b>	<b>1,766</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>139,380</b>	<b>53,115</b>	<b>27,598</b>	<b>220,093</b>

(Continued)

See accompanying notes and accountants' compilation report.

**City of Beaver Dam, Kentucky**  
**Statement of Revenues, Expenses and Changes in Net Position (Concluded)**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
Transfers from other funds	\$ 0	\$ 0	\$ 0	\$ 0
Transfers to other funds	0	0	0	0
<b>CHANGES IN NET POSITION</b>	<u>139,380</u>	<u>53,115</u>	<u>27,598</u>	<u>220,093</u>
<b>NET POSITION – BEGINNING OF YEAR</b>	<u>1,120,060</u>	<u>2,681,603</u>	<u>165,520</u>	<u>3,967,183</u>
<b>RESTATEMENT FOR GASB 75 IMPLEMENTATION</b>	<u>(41,579)</u>	<u>(79,111)</u>	<u>(27,720)</u>	<u>(148,410)</u>
<b>NET POSITION – BEGINNING OF YEAR, AS RESTATED</b>	<u>1,078,481</u>	<u>2,602,492</u>	<u>137,800</u>	<u>3,818,773</u>
<b>NET POSITION – ENDING</b>	<u>\$ 1,217,861</u>	<u>\$ 2,655,607</u>	<u>\$ 165,398</u>	<u>\$ 4,038,866</u>

**City of Beaver Dam, Kentucky**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				\$
Cash received from customers	\$ 651,659	\$ 1,184,444	\$ 188,019	2,024,122
Cash payments to employees for services	(126,120)	(188,085)	(85,916)	(400,121)
Cash payments to suppliers	(398,180)	(816,611)	(76,040)	(1,290,831)
Internal activity – payments to other funds	(454)	195	60	(199)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>126,905</b>	<b>179,943</b>	<b>26,123</b>	<b>332,971</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Operating subsidies and transfers from other funds	0	0	0	0
Operating subsidies and transfers to other funds	0	0	0	0
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(14,476)	(4,937)	0	(19,413)
Repayment of debt	0	(29,698)	0	(29,698)
Interest paid on debt	0	(3,362)	0	(3,362)
Lease executory cost	0	(672)	0	(672)
Proceeds from sale of assets	0	0	0	0
Other receipts (payments)	0	1	0	1
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(14,476)</b>	<b>(38,668)</b>	<b>0</b>	<b>(53,144)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	2,483	2,920	372	5,775
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,483</b>	<b>2,920</b>	<b>372</b>	<b>5,775</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>114,912</b>	<b>144,195</b>	<b>26,495</b>	<b>285,602</b>
<b>BALANCES – BEGINNING July 1, 2017</b>	<b>600,938</b>	<b>711,147</b>	<b>159,915</b>	<b>1,472,000</b>
<b>BALANCES – ENDING June 30, 2018</b>	<b>\$ 715,850</b>	<b>\$ 855,342</b>	<b>\$ 186,410</b>	<b>\$ 1,757,602</b>

(Continued)

See accompanying notes and accountants' compilation report.

**City of Beaver Dam, Kentucky**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net operating income (loss)	\$ 136,897	\$ 54,204	\$ 27,226	\$ 218,327
Adjustments to reconcile net operating income to net cash provided (used) by operating activities				
Depreciation expense	55,899	87,945	19,027	162,871
Changes in assets and liabilities				
Accounts receivable	2,311	(2,840)	(70)	(599)
Unbilled revenue	(1,551)	(3,920)	0	(5,471)
Accounts payable	15,515	7,055	74	22,644
Accrued liabilities	491	1,243	(1,575)	159
Customer deposits	6,315	0	0	6,315
Interfund payables	(454)	195	60	(199)
Interfund receivables	0	0	0	0
Deferred outflows of resources - pension	6,331	(31,038)	(6,244)	(30,951)
Net pension liability	(102,515)	52,740	(16,941)	(66,716)
Deferred inflows of resources - pension	3,750	7,795	2,636	14,181
Deferred outflows of resources – OPEB	(11,543)	(22,850)	(8,376)	(42,769)
Net OPEB liability	12,439	23,667	8,293	44,399
Deferred inflows of resources - OPEB	3,020	5,747	2,013	10,780
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 126,905</b>	<b>\$ 179,943</b>	<b>\$ 26,123</b>	<b>\$ 332,971</b>

See accompanying notes and accountants' compilation report.

**City of Beaver Dam, Kentucky  
Statement of Net Position  
Fiduciary Fund  
June 30, 2018**

	<u>Agency Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 14,184
Interfund receivables	15,615
<b>TOTAL CURRENT ASSETS</b>	<u>29,799</u>
 <b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Payroll liabilities	29,784
Interfund payables	15
<b>TOTAL CURRENT LIABILITIES</b>	<u>29,799</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 0</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Beaver Dam, Kentucky's primary government (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is financially accountable. The more significant of the government's accounting policies are described below.

**(A) Financial 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 interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, 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. There are two methods of presentation of component units:

- a. Blended component units, although legally separate entities from the City, are in substance, part of the City's operations and so data from this component unit is combined with data of the City. As of June 30, 2018, there were not any entities that met this criteria.
- b. Discretely presented component units are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the City. Only the discretely presented component unit disclosures considered essential to the fair presentation of the reporting entity's financial statements are presented in these notes. The following entity is reported as a discretely presented component unit.

The City of Beaver Dam Tourism Commission – The City of Beaver Dam Tourism Commission (Tourism Commission) is a separate component unit of the City, as it is governed by its own seven-member commission, members of which are appointed by the mayor. The Tourism Commission prepares its own financial statements, a summary of which is included in the City's Statements of Net Position and Activities. The Tourism Commission's separately issued financial statements may be obtained at Beaver Dam City Hall, 309 West Second Street, Beaver Dam, Kentucky 42320.

**(B) Basis of Presentation**

***Government-wide Financial Statements***

The Statement of Net Position and Statement of Activities display information about the financial activities of the primary government (the City) and its component unit. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(B) Basis of Presentation (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental or business-type function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund* - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Debt Service Fund* - The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city other than debt service payments made by enterprise funds.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(B) Basis of Presentation (Concluded)**

**Proprietary Funds**

*Enterprise Fund* - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Sanitation, Water, and Sewer Funds. The Water, Sewer and Sanitation Funds are reported as major funds in the current year.

**Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds* - Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund – Payroll Revolving Account. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

**(C) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item ‘b’ below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(C) Measurement Focus and Basis of Accounting (Concluded)**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**(D) Cash and Investments**

For the purpose of the Statement of Net Position and the proprietary fund Statement of Cash Flows, cash and cash equivalents includes all demand savings accounts, and certificates of deposit of the City.

Investments are carried at cost.

**(E) Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as interfund receivables and payables. Interfund receivables and payables between funds within governmental and business-type activities are eliminated in the Statement of Net Position.

**(F) Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The City uses the direct write-off method for uncollectible accounts receivable. Major receivable balances for the governmental activities consist of property taxes. Business-type activities report utilities earnings as their major receivables.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(F) Receivables (Concluded)**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables.

**(G) Due From/To Component Unit**

Amounts owed between the primary government (City) and its component unit are classified as “due to/from primary government: and “due to/from component unit” on the Statement of Net Position. At year-end, the City reported \$93,075 due to the Tourism Commission for restaurant/transient room taxes collected by the City. The City also reported \$158,508 due from the Tourism Commission for debt service reimbursements. These amounts are expected to be settled within the next fiscal year.

**(H) Inventories**

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

**(I) Restricted Assets**

Restricted assets in the governmental funds consist of cash legally restricted for perpetual care of the cemetery and to meet the requirements of state funding. Proprietary fund restricted assets include cash and investments that are legally restricted as to their use. The proprietary restricted assets are related to debt retirement and utility water deposits.

**(J) Compensated Absences**

The City’s policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**(K) Fixed Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(K) Fixed Assets (Concluded)**

***Government-wide Financial Statements***

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets over \$1,000 are capitalized at cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2018.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1970) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings and improvements	25-50 years
- Furniture and fixtures	5-7 years
- Vehicles	5-7 years
- Machinery and equipment	3-20 years
- Utility system	25-50 years
- Infrastructure	25-50 years

***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

**(L) Long-term Debt**

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

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of capital lease obligations and notes payable. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are expensed in the period incurred.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(L) Long-term Debt (Concluded)**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses in the current period. Issuance costs are reported as debt issuance expenditures in the period incurred. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

**(M) Equity Classifications**

***Government-wide Financial Statements***

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City’s bonds.
- c. Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and are available for general use by the City.

***Fund Financial Statements***

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide financial statements.

***Fund Balance Classification***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

***Nonspendable***

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2018.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(M) Equity Classifications (Concluded)**

*Restricted*

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Local Government Economic Assistance (LGEA) resources as being restricted because their use is restricted by state statute for general governmental expenditures. Municipal Road Aid (MRA) resources are restricted by state statute and county laws and are legally segregated for funding of municipal road improvements. Cemetery resources are restricted by trust covenants and state statute for the general care and maintenance of the cemetery. Certain funds have been restricted for the repayment of debt related to the construction of an amphitheater.

*Committed*

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2018.

*Assigned*

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds for general operating expenses of the Community Pride Fund.

*Unassigned*

This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balance first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(N) 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(O) Property Tax**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent November 15. All unpaid taxes at that time are subject to a 10% penalty and 12% interest per year. The City bills and collects its own property tax.

**(P) Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**(Q) Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental expenditures are classified as current (further classified by function), debt service, and capital outlay. Proprietary funds are classified as operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**(R) Nonexchange Transactions**

The recognition of, respectively, assets, liabilities, and expense/expenditures resulting from nonexchange transactions of the City of Beaver Dam are as follows:

- 1) Imposed nonexchange revenues – Property taxes are assessed January 1 of each year. The City does not have an enforceable legal claim to the taxes until one year from that date. However, tax bills are mailed October of the year they are assessed and collected before the end of that fiscal year; therefore, the asset/revenue is recognized when it is received.

The city imposes a 6.9 percent insurance premium tax on insurance premiums sold within the City limits for casualty, automobile, inland marine and fire and allied perils. The tax is due no later than thirty (30) days after the end of each calendar quarter.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(R) Nonexchange Transactions (Concluded)**

- 2) Government-mandated nonexchange transactions – The City receives Municipal Road Aid and Local Government Economic Assistance funds from the state of Kentucky. These funds are required to be spent for specific purposes. Resources are recognized as revenues when received and expenses/expenditures when paid.
- 3) Voluntary nonexchange transactions – The City receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

**(S) Budgetary Information**

Annual budgets are adopted on an accrual basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The City is required to submit estimated receipts and proposed expenditures to the city commissioners by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the city commission by July 1.

The City may change the original budget by transferring appropriations at the activity level; however, the City may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**(T) Impairment of Long-lived Assets**

The City reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2018.

**(U) Pensions and Other Postemployment Benefits (OPEB)**

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

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 1 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**(V) Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred amounts related to pensions and OPEB in the Statement of Net Position in this category. Deferred amounts related to pensions and OPEB include pension and OPEB contributions made during the current fiscal year but applicable to a future measurement period of the net pension and OPEB liability.

**(W) Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports the deferred charge on refunding and deferred amount related to pensions and OPEB in the Statement of Net Position in this category.

**(X) Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local governmental unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**(A) Fund Accounting Requirements**

The city complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the Road and LGEA Funds restricted by state law.

**(B) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain Commonwealth of Kentucky or political subdivision debt obligations, or surety bonds. As required by Kentucky Revised Statutes 66.480(1)(d) and 41.240(4), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. Investments of the City consist of one share of Ohio County Industrial Foundation stock stated at cost.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONCLUDED)**

**(C) Debt Restrictions and Covenants – General Obligation Debt**

Kentucky Revised Statutes limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2018, the City incurred no such additional debt.

**(D) Fund Equity Restrictions – Deficit Prohibition**

Kentucky Revised Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2018.

**NOTE 3 – CASH**

At year-end, the carrying amount of the City's cash was \$3,373,418 and the bank balance was \$3,386,662. Of the total bank balance, \$575,393 was covered by federal depository insurance, \$118,341 was covered by federally guaranteed securities and the remaining balance of \$2,692,928 would require collateralization. As of June 30, 2018, \$4,006,280 was pledged with securities held by the pledging banks' trust departments but not in the name of the City.

The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the City's name.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240 (4) and does not have a deposit policy for custodial risk.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities and governmental funds consist of property, insurance premium, alcohol, restaurant and transient room taxes receivable.

**NOTE 5 – ACCOUNTS PAYABLE**

Payables in the General Fund and nonmajor governmental funds, governmental activities, enterprise funds, and business-type activities are composed of payables to vendors and taxing authorities.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 6 – RESTRICTED NET POSITION**

Restricted net position consisted of the following as of June 30, 2018:

<b>Type of Restricted Assets</b>	<b>Cash and Cash Equivalents</b>
Governmental:	
MRA Fund	\$ 19,955
Cemetery Fund	173,985
LGEA Fund	247,853
Community Pride Fund	322
General Fund - Amphitheater	118,341
	\$ 560,456

**NOTE 7 – JOINT VENTURE**

The City of Beaver Dam, Kentucky, has entered into a joint venture with the City of Hartford, Kentucky, to form a joint planning and zoning commission. The City of Beaver Dam contributes \$3,500 annually toward the operating expenses of the commission. Complete financial information for the Planning and Zoning Commission can be obtained from Nancy Hoover, Planning and Zoning Administrator at 309 West 2<sup>nd</sup> Street, P.O. Box 408, Beaver Dam, KY 42320. The City does not have an equity interest in this organization.

**NOTE 8 – CONTINGENCIES**

In the normal course of operations, the City participates in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of such is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**NOTE 9 – RESTAURANT AND TRANSIENT ROOM TAX**

Effective April 1, 2013, the City established The Beaver Dam Tourism Commission for the purpose of promoting and developing convention and tourist activities and facilities. Pursuant to KRS 91A.350 through KRS 91A.390, the City imposed a 3% restaurant and 1% transient room tax on entities doing business within the city limits to fund the operations of the Commission. All monies collected from the taxes are to be turned over to the Tourism Commission, as required by KRS 91A.350 to 91A.390. The City shall receive an administrative fee of 10% of the funds collected for the costs of collection and processing the transient room tax and the restaurant tax. At year-end, the City owed the Tourism Commission \$93,075 for taxes collected and accrued.

**NOTE 10 – DEFICIT FUND BALANCES/OPERATING DEFICITS**

No funds ended the year with a deficit balance; however, the General and LGEA funds incurred expenditures in excess of revenues.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 11 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities</u>				
Non-Depreciable Assets				
Construction in progress	\$ 18,199	\$ 424,735	\$ (18,199)	\$ 424,735
Land	441,186	0	0	441,186
Total Non-Depreciable Assets	459,385	424,735	(18,199)	865,921
Capital Assets				
Buildings	3,562,287	179,847	0	3,742,134
Land improvements	732,967	69,246	0	802,213
Furniture and fixtures	9,716	0	(411)	9,305
Vehicles	684,764	31,123	0	715,887
Machinery and equipment	857,103	50,225	(49,888)	857,440
Infrastructure	2,654,771	110,971	0	2,765,742
Total Capital Assets Being Depreciated	8,501,608	441,412	(50,299)	8,892,721
Less: Accumulated Depreciation for				
Buildings	(431,151)	(93,543)	0	(524,694)
Land improvements	(146,738)	(43,917)	0	(190,655)
Furniture and fixtures	(9,716)	0	411	(9,305)
Vehicles	(546,704)	(42,196)	0	(588,900)
Machinery and equipment	(602,176)	(34,842)	49,888	(587,130)
Infrastructure	(1,821,215)	(56,478)	0	(1,877,693)
Total Accumulated Depreciation	(3,557,700)	(270,976)	50,299	(3,778,377)
Governmental Activities Capital Assets, Net	<u>\$ 5,403,293</u>	<u>\$ 595,171</u>	<u>\$ (18,199)</u>	<u>\$ 5,980,265</u>
<u>Governmental Activities</u>				
Depreciation Expense				
General government				\$ 22,950
Police				27,237
Fire				35,033
Streets				54,861
Cemetery				1,056
Parks and recreation				129,839
Total Depreciation Expense – Governmental Activities				<u>\$ 270,976</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 11 – CAPITAL ASSETS (CONCLUDED)**

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-Type Activities</u>				
Non-Depreciable Assets				
Construction in progress	\$ 0	\$ 0	\$ 0	\$ 0
Capital Assets				
Utility plants				
Waterworks	1,670,213	0	0	1,670,213
Wastewater treatment plant	1,407,183	0	0	1,407,183
Sewage disposal system	2,020,597	0	0	2,020,597
Land and land improvements	159,172	0	0	159,172
Machinery and equipment	584,618	19,413	0	604,031
Vehicles	374,483	0	0	374,483
Building improvements	66,023	0	(6,498)	59,525
Office equipment	48,972	0	(10,636)	38,336
Total Capital Assets Being Depreciated	<u>6,331,261</u>	<u>19,413</u>	<u>(17,134)</u>	<u>6,333,540</u>
Less: Accumulated Depreciation for				
Utility plants				
Waterworks	(1,023,085)	(43,635)	0	(1,066,720)
Wastewater treatment plant	(749,577)	(34,351)	0	(783,928)
Sewage disposal system	(522,964)	(46,678)	0	(569,642)
Land and land improvements	(9,745)	(1,766)	0	(11,511)
Machinery and equipment	(556,374)	(6,514)	0	(562,888)
Vehicles	(247,284)	(28,527)	0	(275,811)
Building improvements	(35,824)	(1,400)	6,498	(30,726)
Office equipment	(48,972)	0	10,636	(38,336)
Total Accumulated Depreciation	<u>(3,193,825)</u>	<u>(162,871)</u>	<u>17,134</u>	<u>(3,339,562)</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,137,436</u>	<u>\$ (143,458)</u>	<u>\$ 0</u>	<u>\$ 2,993,978</u>
<u>Business-Type Activities</u>				
Depreciation Expense				
Water				\$ 55,899
Sewer				87,945
Sanitation				19,027
Total Depreciation Expense – Business-Type Activities				<u>\$ 162,871</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 12 – JOINTLY GOVERNED ORGANIZATION**

The City in conjunction with Ohio County, City of Centertown and City of Hartford, created the Ohio County Regional Wastewater District. The Ohio County Regional Wastewater District is a joint sewer agency created to own, manage, control and operate a comprehensive wastewater treatment facility within Ohio County, Kentucky. The District’s board is comprised of two members of each participating municipality.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. For the fiscal year ended June 30, 2018, City of Beaver Dam, Kentucky, was a member of the Kentucky League of Cities Insurance Service (KLCIS). KLCIS is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials’ errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**NOTE 14 – INTERFUND TRANSACTIONS AND BALANCES**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	MRA	\$ 175,000	Operations
General	Cemetery	20,000	Operations
LGEA	General	63,915	Operations
		<u>\$ 258,915</u>	

At year-end, the City’s interfund balances were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Payroll	\$10,384	Payroll
Sanitation	Payroll	984	Payroll
Sewer	Payroll	2,790	Payroll
Water	Payroll	870	Payroll
Water	Sewer	319	Advance for operations
MRA	Payroll	587	Payroll
Payroll	Cemetery	1	Payroll
Payroll	General	14	Payroll

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 15 – LONG-TERM DEBT**

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

Governmental activities include a note payable issued March 1, 2008, for the purchase of land for a park, a bonded lease agreement issued May 2, 2014 for the construction of an amphitheater and a note issued June 29, 2017 for the purchase of buildings.

Business-type activities have one note payable outstanding.

**Governmental Activities:**

As of June 30, 2018, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Current Portion</u>	<u>Noncurrent Portion</u>	<u>Total</u>
1) Kentucky League of Cities – 3.75% interest rate, maturity date – March 1, 2028 – purchase of land for a park	\$ 12,448	\$ 138,009	\$ 150,457
2) Kentucky Bond Corporation – 2.00% – 4.00% variable interest rate, maturity date – February 1, 2041 – bonded lease agreement for construction of an amphitheater	55,000	1,885,000	1,940,000
3) Charles Ashby – 0% interest rate, maturity date – July 31, 2018 – real estate purchase	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total notes payable	<u>\$ 167,448</u>	<u>\$ 2,023,009</u>	<u>\$ 2,190,457</u>

**Business-type Activities:**

As of June 30, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Current Portion</u>	<u>Noncurrent Portion</u>	<u>Total</u>
1) Kentucky Infrastructure Authority – 1% interest rate, maturity date – June 1, 2028	\$ 29,996	\$ 283,863	\$ 313,859
Total notes payable	<u>\$ 29,996</u>	<u>\$ 283,863</u>	<u>\$ 313,859</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 15 – LONG-TERM DEBT (CONTINUED)**

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Kentucky Bond Corporation	\$ 1,995,000	\$ 0	\$ 55,000	\$ 1,940,000	\$ 55,000
Charles Ashby	175,000	0	75,000	100,000	100,000
Kentucky League of Cities	162,358	0	11,901	150,457	12,448
Net Pension Liability	549,941	392,859	0	942,800	0
Net OPEB Liability	253,986	69,822	0	323,808	0
Governmental activities Long-term liabilities	<u>\$ 3,136,285</u>	<u>\$ 462,681</u>	<u>\$ 141,901</u>	<u>\$ 3,457,065</u>	<u>\$ 167,448</u>
<b><u>Business-type Activities:</u></b>					
KY Infrastructure Authority	\$ 343,557	\$ 0	\$ 29,698	\$ 313,859	\$ 29,996
Net Pension Liability	666,204	0	66,716	599,488	0
Net OPEB Liability	161,498	44,399	0	205,897	0
Business-type activities Long-term liabilities	<u>\$ 1,171,259</u>	<u>\$ 44,399</u>	<u>\$ 96,414</u>	<u>\$ 1,119,244</u>	<u>\$ 29,996</u>

**Capital Lease Obligations**

The City has entered into a capital lease agreement under which the related asset (amphitheater) will become the property of the City when all terms of the lease agreement are met. The interest rate varies from 2% to 4%. The schedule of future minimum lease payments on the capital lease as of June 30, 2018 is as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>
2019	\$ 120,681
2020	124,581
2021	123,381
2022	121,581
2023	124,781
Thereafter	<u>2,263,707</u>
Future Minimum Payments	2,878,712
Less Interest	<u>(938,712)</u>
Present Value of Future Minimum Payments	<u>\$ 1,940,000</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 15 – LONG-TERM DEBT (CONCLUDED)**

Property and related accumulated depreciation under the capital lease are as follows:

	<b>Governmental Activities</b>
Amphitheater	\$ 2,029,107
Less: Accumulated depreciation	(190,229)
Net Value	\$ 1,838,878

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2018, are as follows:

**Governmental Activities**

<b>Notes Payable: Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 167,448	\$ 68,578	\$ 236,026
2020	73,009	67,229	140,238
2021	73,626	65,753	139,379
2022	74,243	63,680	137,923
2023	79,897	61,589	141,486
2024-2028	437,234	272,798	710,032
2029-2033	430,000	207,838	637,838
2034-2038	540,000	124,663	664,663
2039-2041	315,000	22,600	337,600
	\$ 2,190,457	\$ 954,728	\$ 3,145,185

**Business-type Activities**

<b>Note Payable: Fiscal Year Ending June 30,</b>	<b>Sewer Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 29,996	\$ 3,064	\$ 33,060
2020	30,297	2,763	33,060
2021	30,600	2,459	33,059
2022	30,907	2,153	33,060
2023	31,217	1,843	33,060
2024-2028	160,842	4,456	165,298
	\$ 313,859	\$ 16,738	\$ 330,597

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 16 – DEFERRED COMPENSATION**

The City Commissioners voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.275 to provide administration of tax shelter supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary. Contributions are limited to annual amounts determined by the Internal Revenue Service.

**NOTE 17 – BUDGET VIOLATIONS**

During the current fiscal year, the City incurred line item expenditures in excess of budget. These expenditures were within the general fund.

**NOTE 18 – CONCENTRATIONS OF CREDIT RISK**

The City extends credit to all citizens who live within the City limits and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

**NOTE 19 – RELATED PARTY TRANSACTIONS**

As explained in Note 1, The City of Beaver Dam Tourism Commission is a component unit of the City of Beaver Dam, Kentucky. The City paid \$513,516 to the Commission during the current year for the restaurant and transient room taxes that were collected. The City received \$298,512 from the Commission for park maintenance and development, debt service reimbursements and various capital projects.

Per Note 12, the City is a member of the Ohio County Regional Wastewater District (District). During the year ended June 30, 2018, the City paid the District \$713,585 for sewer disposal.

**NOTE 20 – SUBSEQUENT EVENTS**

City of Beaver Dam's management has evaluated and considered the need to recognize or disclose subsequent events through December 17, 2018, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2018, have not been evaluated by management.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS**

**General Information About the Pension Plan:** All full-time and eligible part-time employees of the City participate in the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Basis of Accounting:** For purposes of measuring the net pension and OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Pension Benefits Provided:** The information below summarizes the major retirement benefit provisions of CERS Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

**Members whose participation began before 8/1/2004:**

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

**Members whose participation began on or after 8/1/2004, but before 9/1/2008:**

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

**Members whose participation began on or after 9/1/2008, but before 1/1/2014:**

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

<u>Service Credit</u>	<u>Benefit Factor</u>
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

**Members whose participation began on or after 1/1/2014:**

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

**OPEB Benefits Provided:** The information below summarizes the major retirement benefit provisions of CERS Non-hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

**Insurance Tier 1: Participation began before 7/1/2003:**

**Benefit Eligibility:** Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

**Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008:**

**Benefit Eligibility:** Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The System provides a monthly contribution subsidy of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

**Insurance Tier 3: Participation began on or after 9/1/2008:**

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

**Contributions:** The City was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal years ended June 30, 2018 and 2017, participating employers contributed 19.18% (14.48% allocated to pension and 4.70% allocated to OPEB) and 18.68% (13.95% allocated to pension and 4.73% allocated to OPEB) as set by KRS, respectively, of each Non-hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investment earnings.

The City has met 100% of the contribution funding requirement for the year ended June 30, 2018. Total current year contributions recognized by the Plan were \$119,839 (\$90,473 related to pension and \$29,366 related to OPEB) for the year ended June 30, 2018. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$6,474.

**Members whose participation began before 9/1/2008:**

Non-hazardous contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

**Members whose participation began on or after 9/1/2008:**

Non-hazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Each member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

**Members whose participation began on or after 1/1/2014:**

Non-hazardous contribution equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

**Pension Information**

**Total Pension Liability:** The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

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

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

**Discount rate assumptions:**

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 6.25%, which was reduced from the 7.50% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.00%</u>	<u>6.56%</u>

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the City’s allocated portion of the net pension liability (“NPL”) of the System, calculated using the discount rate of 6.25%, as well as what the City’s allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Net pension liability – Non-hazardous	\$1,945,159	\$1,542,288	\$1,205,290

**Employer’s Portion of the Collective Net Pension Liability:** The City’s proportionate share of the net pension liability, as indicated in the prior table, is \$1,542,288, or approximately 0.026349%. The net pension liability was distributed based on 2017 actual employer contributions to the plan.

**Measurement Date:** June 30, 2017 is the actuarial valuation date and measurement date upon which the total pension liability is based.

**Changes in Assumptions and Benefit Terms:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

**Changes Since Measurement Date:** There were no changes between the measurement date of the collective net pension liability and the employer’s reporting date.

**Pension Expense:** The City was allocated pension expense of \$290,869 related to the CERS for the year ending June 30, 2018.

**Deferred Outflows and Deferred Inflows:** Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,914	\$ 39,150
Change of assumptions	284,595	0
Differences between expected and actual investment earnings on plan investments	19,076	0
Changes in proportion and differences between City contributions and proportionate share of contributions	55,099	1,891
City contributions subsequent to the measurement date	90,473	0
Total	\$ 451,157	\$ 41,041

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$90,473 will be recognized as a reduction of net pension liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

Year Ending June 30,	Amount
2019	\$ 141,428
2020	136,208
2021	61,809
2022	(19,804)
Total	\$ 319,641

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plans’ fiduciary net position is available in the separately issued pension plan financial reports.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

**Payable to the Pension Plan:** At June 30, 2018, the City reported a payable of \$14,989 (included in payroll liabilities in the Fiduciary Fund Statement of Net Position) for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

**OPEB Information**

**Total OPEB Liability:** The total other postemployment benefits liability (“OPEB”) was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.05 percent, average
Investment rate of return	6.25 percent
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.25 percent at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.
Post-65	Initial trend starting at 5.10 percent at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 11 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

**Discount rate assumptions:**

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.84%, which was reduced from the 6.89% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.56% as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2017.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system’s actuarial determined contributions, and it is the actuary’s understanding that any cost associated with the implicit subsidy will not be paid out of the system’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.00%</u>	<u>6.56%</u>

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)**

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the City’s allocated portion of the System’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.84%) or 1 percentage point higher (6.84%) than the current rate for non-hazardous:

	1% Decrease 4.84%	Current Discount Rate 5.84%	1% Increase 6.84%
Net OPEB liability	\$674,020	\$529,705	\$409,612

The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate, as well as what the City’s allocated portion of the System’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate for non-hazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$406,311	\$529,705	\$690,110

**Employer’s Portion of the Collective OPEB Liability:** The City’s proportionate share of the net OPEB liability, as indicated in the prior table, is \$529,705, or approximately 0.026349%. The net OPEB liability was distributed based on 2017 actual employer contributions to the plan.

**Measurement Date:** June 30, 2017 is the actuarial valuation date and measurement date upon which the total OPEB liability is based.

**Changes in Assumptions and Benefit Terms:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**Changes Since Measurement Date:** There were no changes between the measurement date of the collective net OPEB liability and the employer’s reporting date.

**OPEB Expense:** The City was allocated OPEB expense of \$60,362 related to the CERS for the year ending June 30, 2018.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 21 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONCLUDED)**

**Deferred Outflows and Deferred Inflows:** Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 1471
Change of assumptions	115,260	0
Differences between expected and actual investment earnings on plan investments	0	25,034
Changes in proportion and differences between City contributions and proportionate share of contributions	0	1,229
City contributions subsequent to the measurement date	29,366	0
Total	\$ 144,626	\$ 27,734

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$29,366, which include the implicit subsidy reported of \$6,474, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

Year Ending June 30,	Amount
2019	\$ 15,060
2020	15,060
2021	15,060
2022	15,060
2023	21,318
Thereafter	5,969
Total	\$ 87,527

**OPEB Plan Fiduciary Net Position:** Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Concluded)**  
**June 30, 2018**

**NOTE 22 – NEW ACCOUNTING PRONOUNCEMENTS**

**Adoption of New Accounting Pronouncements:** During fiscal year 2018, the City adopted the following accounting pronouncements:

- GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, issued March 2016.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017.

Adoption of these standards did not have a significant impact on the City’s financial position or results of operations.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015 aims to improve financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers regarding financial support for OPEB that is provided by other entities.

Adoption of this statement had a significant impact on the City’s financial position. As a result, the City restated the July 1, 2017 net position in the amount of (\$381,814) as outlined below:

	Beginning Balance	As Restated	GASB 75 Adjustment
Statement of activities			
Net position, July 1, 2017	\$ 8,692,627	\$ 8,310,813	\$ (381,814)

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Beaver Dam, Kentucky**  
**Budgetary Comparison Schedule – Major Fund**  
**Required Supplementary Information**  
**Year Ended June 30, 2018**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$1,540,300	\$1,540,300	\$1,615,771	\$ 75,471
Licenses and permits	18,000	18,000	21,254	3,254
Intergovernmental revenue	120,000	120,000	86,059	(33,941)
Charges for services	32,800	32,800	30,090	(2,710)
Payments from component unit	276,000	276,000	298,512	22,512
Miscellaneous	10,000	10,000	36,211	26,211
Interest	2,900	2,900	4,992	2,092
<b>TOTAL REVENUES</b>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,092,889</u>	<u>92,889</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	452,150	452,150	268,946	183,204
Public safety				
Police	582,400	582,400	457,371	125,029
Fire	59,175	59,175	40,622	18,553
Parks and recreation	152,835	316,835	81,140	235,695
Code enforcement	15,600	15,600	11,357	4,243
Tourism – payment to component unit	523,000	523,000	513,516	9,484
<b>Debt service</b>				
Principal	12,000	12,000	141,901	(129,901)
Interest	2,700	2,700	69,709	(67,009)
<b>Capital outlay</b>	75,000	75,000	713,020	(638,020)
<b>TOTAL EXPENDITURES</b>	<u>1,874,860</u>	<u>2,038,860</u>	<u>2,297,582</u>	<u>(258,722)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	125,140	(38,860)	(204,693)	(165,833)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	0	0	0	0
Transfers from other funds	0	0	63,915	63,915
Transfers to other funds	(130,845)	(130,845)	(195,000)	(64,155)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(130,845)</u>	<u>(130,845)</u>	<u>(131,085)</u>	<u>(240)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,705)	(169,705)	(335,778)	(166,073)
<b>FUND BALANCE – BEGINNING</b>	1,590,809	1,590,809	1,590,809	0
<b>FUND BALANCE – ENDING</b>	<u>\$ 1,585,104</u>	<u>\$1,421,104</u>	<u>\$1,255,031</u>	<u>\$(166,073)</u>

**City of Beaver Dam, Kentucky**  
**Schedule of the City's Proportionate Share of the**  
**Net Pension Liability**  
**For the Year Ended June 30, 2018**

Last 10 Fiscal Years\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability (asset)	0.023916%	0.024822%	.024700%	.026349%
City's proportionate share of the net pension liability (asset)	\$776,000	\$1,067,182	\$1,216,145	\$1,542,288
City's covered-employee payroll	\$585,123	\$579,100	\$589,228	\$641,538
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	132.62%	184.28%	206.40%	240.40%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%

**Note:** The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30<sup>th</sup> of the prior fiscal year.

\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**City of Beaver Dam, Kentucky**  
**Schedule of the City's Pension Contributions**  
**For the Year Ended June 30, 2018**

Last 10 Fiscal Years\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 74,107	\$ 70,175	\$ 89,494	\$ 90,473
Contributions in relation to the contractually required contribution	<u>(74,107)</u>	<u>(70,175)</u>	<u>(89,494)</u>	<u>(90,473)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%
City's covered-employee payroll	\$579,100	\$589,228	\$641,538	\$664,028
Contributions as a percentage of covered-employee payroll	12.80%	11.91%	13.95%	13.62%

\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**City of Beaver Dam, Kentucky**  
**Schedule of the City's Proportionate Share of the**  
**Net OPEB Liability**  
**For the Year Ended June 30, 2018**

Last 10 Fiscal Years\*

	<b>2018</b>
City's proportion of the net OPEB liability (asset)	.026349%
City's proportionate share of the net OPEB liability (asset)	\$529,705
City's covered-employee payroll	\$641,538
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

**Note:** The data provided in this schedule is based on the measurement date of the CERS net OPEB liability, which is as of June 30<sup>th</sup> of the prior fiscal year.

\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**City of Beaver Dam, Kentucky  
Schedule of the City's OPEB Contributions  
For the Year Ended June 30, 2018**

Last 10 Fiscal Years\*

	<b>2018</b>
Contractually required contributions	\$ 29,366
Contributions in relation to the contractually required contribution	(29,366)
Contribution deficiency (excess)	\$ 0
City's contributions as a percentage of contractually required contribution for OPEB	100.00%
City's covered-employee payroll	\$ 664,028
Contributions as a percentage of covered- employee payroll	4.70%

\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**City of Beaver Dam, Kentucky**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2018**

**NOTE 1 – BUDGET**

The City prepares both its financial statements and budget using accounting principles generally accepted in the United States of America (GAAP). Accordingly, there is no difference in revenues, expenditures, and changes in fund balance between the financial statements and its budget presentation.

**NOTE 2 – PENSION**

***Changes in Assumptions and Benefit Terms:***

**2017:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**2016:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2015:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in the CERS actuary report. The changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**City of Beaver Dam, Kentucky**  
**Notes to Required Supplementary Information (Concluded)**  
**For the Year Ended June 30, 2018**

**NOTE 3 – OPEB**

*Changes in Assumptions and Benefit Terms:*

**2017:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Beaver Dam, Kentucky**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2018**

	<u>Special Revenue Funds</u>				<b>Total Non-major Funds</b>
	<b>MRA Fund</b>	<b>Cemetery Fund</b>	<b>LGEA Fund</b>	<b>Community Pride Fund</b>	
<b>ASSETS</b>					
Interfund receivables	\$ 0	\$ 1	\$ 0	\$ 0	\$ 1
Restricted cash and cash equivalents	19,955	173,985	247,853	322	442,115
Investments – noncurrent	0	1,000	0	0	1,000
<b>TOTAL ASSETS</b>	<u>\$ 19,955</u>	<u>\$ 174,986</u>	<u>\$247,853</u>	<u>\$ 322</u>	<u>\$ 443,116</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 4,519	\$ 926	\$ 0	\$ 0	\$ 5,445
Accrued liabilities	2,155	609	0	0	2,764
Interfund payables	587	0	0	0	587
<b>TOTAL LIABILITIES</b>	<u>7,261</u>	<u>1,535</u>	<u>0</u>	<u>0</u>	<u>8,796</u>
<b>FUND BALANCES</b>					
Nonspendable	0	0	0	0	0
Restricted for					
Cemetery maintenance	0	173,985	0	0	173,985
Municipal roads	19,955	0	0	0	19,955
Other purposes – LGEA	0	0	247,853	0	247,853
Committed	0	0	0	0	0
Assigned to					
Community projects	0	0	0	322	322
Unassigned	(7,261)	(534)	0	0	(7,795)
<b>TOTAL FUND BALANCES</b>	<u>12,694</u>	<u>173,451</u>	<u>247,853</u>	<u>322</u>	<u>434,320</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 19,955</u>	<u>\$ 174,986</u>	<u>\$247,853</u>	<u>\$ 322</u>	<u>\$ 443,116</u>

**City of Beaver Dam, Kentucky**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2018**

	<u>Special Revenue Funds</u>				<b>Total Non-major Funds</b>
	<b>MRA Fund</b>	<b>Cemetery Fund</b>	<b>LGEA Fund</b>	<b>Community Pride Fund</b>	
<b>REVENUES</b>					
Intergovernmental	\$ 66,767	\$ 0	\$ 39,224	\$ 0	\$ 105,991
Charges for services	0	20,550	0	40	20,590
Miscellaneous	272	5,375	0	0	5,647
Interest income	15	999	262	0	1,276
<b>TOTAL REVENUES</b>	<u>67,054</u>	<u>26,924</u>	<u>39,486</u>	<u>40</u>	<u>133,504</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Streets	124,120	0	0	0	124,120
Police	0	0	0	0	0
Cemetery	0	42,024	0	0	42,024
Community pride project	0	0	0	0	0
<b>Capital outlay</b>	<u>110,971</u>	<u>0</u>	<u>23,957</u>	<u>0</u>	<u>134,928</u>
<b>TOTAL EXPENDITURES</b>	<u>235,091</u>	<u>42,024</u>	<u>23,957</u>	<u>0</u>	<u>301,072</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(168,037)	(15,100)	15,529	40	(167,568)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	0	0	0	0	0
Transfers from other funds	175,000	20,000	0	0	195,000
Transfers to other funds	0	0	(63,915)	0	(63,915)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>175,000</u>	<u>20,000</u>	<u>(63,915)</u>	<u>0</u>	<u>131,085</u>
<b>NET CHANGE IN FUND BALANCES</b>	6,963	4,900	(48,386)	40	(36,483)
<b>FUND BALANCES – BEGINNING</b>	<u>5,731</u>	<u>168,551</u>	<u>296,239</u>	<u>282</u>	<u>470,803</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 12,694</u>	<u>\$ 173,451</u>	<u>\$ 247,853</u>	<u>\$ 322</u>	<u>\$ 434,320</u>

**City of Beaver Dam, Kentucky  
Schedule of Charges for Services  
Proprietary Funds  
Year Ended June 30, 2018**

<b>CHARGES FOR SERVICES</b>	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
Water collections	\$ 557,579	\$ 0	\$ 0	\$ 557,579
Sewer collections	0	1,154,341	0	1,154,341
Sanitation collections	0	0	184,189	184,189
Public fire protection	8,890	0	0	8,890
Meter charges	3,250	0	0	3,250
Reconnect fees	15,165	0	0	15,165
Tapping charges	0	500	0	500
Lift station maintenance fee	0	4,000	0	4,000
Penalties	11,533	21,571	3,900	37,004
Aqualine billing	41,557	0	0	41,557
	<u>\$ 637,974</u>	<u>\$ 1,180,412</u>	<u>\$ 188,089</u>	<u>\$ 2,006,475</u>