

**CITY OF BRANDENBURG, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**CITY OF BRANDENBURG  
737 HIGH STREET  
BRANDENBURG, KY 40108  
(270) 422-4981**

**CITY OFFICIALS AND OFFICERS**

**MAYOR**

Ronnie Joyner

**MEMBERS OF COUNCIL**

Bill Basham  
Bryan Claycomb  
Bruce Fackler  
Charlotte Ford  
Bradley Johnston  
Michael Kelly

**OFFICERS**

Amy Haynes  
City Clerk

Rachel Brown  
City Attorney

Brian Haag  
Chief of Police

T.J. Hughes  
Public Works Director

**CITY OF BRANDENBURG, KENTUCKY  
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FOR THE YEAR ENDED JUNE 30, 2021**

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**SK LEE CPAS, P.S.C.**

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**208 Pauline Drive, Suite D**

**Berea, Kentucky 40403**

**(859) 986-3756**

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Brandenburg  
Brandenburg, Kentucky 40108

**Report on the Financial Statements**

We have audited the accompanying Balance Sheet – Governmental Funds as of June 30, 2021 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements. We were engaged to audit the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky (hereinafter called "the City") as of and for the year ended June 30, 2021, and the related notes to these financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of the Balance Sheet – Governmental Funds and the Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the related notes to those financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinions" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City as of and for the year ended June 30, 2021, and the related notes to these financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Balance Sheet – Governmental Funds as of June 30, 2021 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year ended, and the related notes to these financial statements.

**Basis for Disclaimer of Opinions**

The City failed to record inventory balances for parts and supplies used in maintenance of the water and sewer systems. No inventory counts were taken, and we were not able to observe inventory at the end of the year. In addition, due to a lack of sufficient appropriate audit evidence regarding the opening balances of fixed assets, were unable to satisfy ourselves as to the current balances and whether additional property and equipment should be subjected to depreciation expense during the current

year. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the affected accounts.

### ***Disclaimer of Opinions***

Because of the significance of the matter described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky as of and for the year ended June 30, 2021, and the related notes to these financial statements. Accordingly, we do not express an opinion on these financial statements.

### ***Unmodified Opinion***

In our opinion, the financial statements referred to above, the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, present fairly, in all material respects, the financial position of the Governmental Funds of the City of Brandenburg, Kentucky as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the Management Discussion and Analysis that governmental 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. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension schedules, and OPEB schedules on pages 31-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information shown on pages 36-39 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information shown on pages 36-39 is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 36-39 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***SK LEE CPAS, P.S.C.***

Berea, Kentucky  
March 1, 2022

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

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,144,558	\$ 479,408	\$ 1,623,966
Receivables, net			
Customers	35,549	81,524	117,073
Other	169,190	-	169,190
Due from other funds	134,519	-	134,519
<b>Total Current Assets</b>	<u><b>1,483,816</b></u>	<u><b>560,932</b></u>	<u><b>2,044,748</b></u>
<b>Non-Current Assets</b>			
Restricted cash	175,409	1,371,598	1,547,007
Capital assets:			
Non-depreciable	90,463	2,250,700	2,341,163
Depreciable, net	1,119,284	4,367,997	5,487,281
<b>Total Non-Current Assets</b>	<u><b>1,385,156</b></u>	<u><b>7,990,295</b></u>	<u><b>9,375,451</b></u>
<b>Total Assets</b>	<u><b>2,868,972</b></u>	<u><b>8,551,227</b></u>	<u><b>11,420,199</b></u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	206,984	156,146	363,130
Deferred amounts related to OPEB	162,011	122,219	284,230
<b>Total Deferred Outflows of Resources</b>	<u><b>368,995</b></u>	<u><b>278,365</b></u>	<u><b>647,360</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	51,006	20,877	71,883
Accrued expenses	27,942	23,318	51,260
Due to other funds	-	134,519	134,519
Notes payable	-	42,688	42,688
Loan advances	-	2,480,173	2,480,173
<b>Total Current Liabilities</b>	<u><b>78,948</b></u>	<u><b>2,701,575</b></u>	<u><b>2,780,523</b></u>
<b>Non-Current Liabilities</b>			
Notes payable	-	393,989	393,989
Net pension liability	1,047,452	790,183	1,837,635
Net OPEB liability	329,670	248,698	578,368
<b>Total Non-Current Liabilities</b>	<u><b>1,377,122</b></u>	<u><b>1,432,870</b></u>	<u><b>2,809,992</b></u>
<b>Total Liabilities</b>	<u><b>1,456,070</b></u>	<u><b>4,134,445</b></u>	<u><b>5,590,515</b></u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	25,069	18,910	43,979
Deferred amounts related to OPEB	66,702	50,319	117,021
<b>Total Deferred Inflows of Resources</b>	<u><b>91,771</b></u>	<u><b>69,229</b></u>	<u><b>161,000</b></u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	1,209,747	4,041,732	5,251,479
Restricted	184,561	1,512,958	1,697,519
Unrestricted (deficit)	295,818	(928,772)	(632,954)
<b>Total Net Position (Deficit)</b>	<u><b>\$ 1,690,126</b></u>	<u><b>\$ 4,625,918</b></u>	<u><b>\$ 6,316,044</b></u>

The accompanying notes are an integral part of these financial statements.

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

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Government Activities</b>							
General government	\$ 579,737	\$ -	\$ 3,710	\$ 265,370	\$ (310,657)	\$ -	\$ (310,657)
Public safety	535,411	-	67,128	-	(468,283)	-	(468,283)
Street	94,184	-	50,400	-	(43,784)	-	(43,784)
Sanitation	377,744	379,681	-	-	1,937	-	1,937
Parks and recreation	52,547	-	-	-	(52,547)	-	(52,547)
Community projects	19,694	-	-	-	(19,694)	-	(19,694)
<b>Total Governmental Activities</b>	<b>1,659,317</b>	<b>379,681</b>	<b>121,238</b>	<b>265,370</b>	<b>(893,028)</b>	<b>-</b>	<b>(893,028)</b>
<b>Business-Type Activities</b>							
Water and sanitation utilities	771,816	543,266	-	-	-	(228,550)	(228,550)
Sewer utilities	555,100	741,615	-	-	-	186,515	186,515
<b>Total Business-Type Activities</b>	<b>1,326,916</b>	<b>1,284,881</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,035)</b>	<b>(42,035)</b>
<b>Total Activities</b>	<b>\$ 2,986,233</b>	<b>\$ 1,664,562</b>	<b>\$ 121,238</b>	<b>\$ 265,370</b>	<b>\$ (893,028)</b>	<b>\$ (42,035)</b>	<b>\$ (935,063)</b>
					<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues</b>							
Property taxes					1,137,447	-	1,137,447
Franchise fees					17,945	-	17,945
Licenses and permits					46,511	-	46,511
Rental income					31,244	-	31,244
Interest income					8,341	1,241	9,582
Miscellaneous					20,194	76,619	96,813
Transfers, net					37,565	(37,565)	-
Total General Revenues and Transfers					1,299,247	40,295	1,339,542
Change in Net Position					406,219	(1,740)	404,479
Total Net Position, Beginning					1,283,907	4,627,658	5,911,565
Net Position, Ending					<u>\$ 1,690,126</u>	<u>\$ 4,625,918</u>	<u>\$ 6,316,044</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 980,824	\$ 163,734	\$ 1,144,558
Cash and cash equivalents - restricted	-	175,409	175,409
Accounts receivable			
Taxes	169,190	-	169,190
Sanitation	35,549	-	35,549
Due to other funds	134,422	9,152	143,574
<b>Total Assets</b>	<b><u>\$ 1,319,985</u></b>	<b><u>\$ 348,295</u></b>	<b><u>\$ 1,668,280</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 51,006	\$ -	\$ 51,006
Accrued expenses	27,942	-	27,942
Due to other funds	-	9,055	9,055
<b>Total Liabilities</b>	<b><u>78,948</u></b>	<b><u>9,055</u></b>	<b><u>88,003</u></b>
<b>Fund Balances</b>			
Restricted	-	184,561	184,561
Assigned	-	154,679	154,679
Unassigned	1,241,037	-	1,241,037
<b>Total Fund Balances</b>	<b><u>1,241,037</u></b>	<b><u>339,240</u></b>	<b><u>1,580,277</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,319,985</u></b>	<b><u>\$ 348,295</u></b>	<b><u>\$ 1,668,280</u></b>
Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:			
Fund balances reported above			<b>\$ 1,580,277</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,209,747
Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.			277,224
All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.			
Net pension liability			(1,047,452)
Net OPEB liability			<u>(329,670)</u>
<b>Net Position of Governmental Activities</b>			<b><u>\$ 1,690,126</u></b>



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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 1,137,447	\$ -	\$ 1,137,447
Franchise fees	17,945	-	17,945
Licenses and permits	46,511	-	46,511
Rental income	31,244	-	31,244
Intergovernmental revenues	293,096	93,512	386,608
Service charges and fees	379,681	-	379,681
Other	55,143	20,423	75,566
<b>Total Revenues</b>	<b>1,961,067</b>	<b>113,935</b>	<b>2,075,002</b>
<b>Expenditures</b>			
General government	481,995	4,378	486,373
Public safety	427,749	31,054	458,803
Street	49,343	49,343	98,686
Sanitation	377,744	-	377,744
Parks and recreation	43,871	19,694	63,565
Community projects	19,694	-	19,694
Capital outlay	190,703	-	190,703
<b>Total Expenditures</b>	<b>1,591,099</b>	<b>104,469</b>	<b>1,695,568</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>369,968</b>	<b>9,466</b>	<b>379,434</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	37,565	-	37,565
<b>Total Other Financing Sources (Uses)</b>	<b>37,565</b>	<b>-</b>	<b>37,565</b>
<b>Net Change in Fund Balance</b>	<b>407,533</b>	<b>9,466</b>	<b>416,999</b>
<b>Fund Balance, Beginning of Year</b>	<b>833,504</b>	<b>329,774</b>	<b>1,163,278</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,241,037</b>	<b>\$ 339,240</b>	<b>\$ 1,580,277</b>

**CITY OF BRANDENBURG, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 416,999</b>
Amounts reported for <i>government activities</i> 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. This is the amount by which capital outlay of \$190,703 exceeds depreciaton expense of \$93,964 in the current period.	96,739
In the statement of Activities, vacation leave is measured by by the amount earned during the year. In the governemental fund, expenditures for this item are measured by the amount actually paid. The difference is prior year vacation payable recorded as long-term.	14,097
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities	(121,616)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 406,219</u></b>

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

	<b>Water &amp; Wastewater Fund</b>	<b>Revenue Fund</b>	<b>Sewer Line Extension Fund</b>	<b>Non-Major Proprietary Funds</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 84,943	\$ 217,714	\$ 176,751	\$ -	\$ 479,408
Receivables, net					
Customers	-	81,524	-	-	81,524
Due from other funds	-	-	-	-	-
<b>Total Current Assets</b>	<b>84,943</b>	<b>299,238</b>	<b>176,751</b>	<b>-</b>	<b>560,932</b>
<b>Non-Current Assets</b>					
Restricted cash	-	-	-	1,371,598	1,371,598
Capital assets:					
Non-depreciable	110,412	-	183,252	1,957,036	2,250,700
Depreciable, net	4,367,997	-	-	-	4,367,997
<b>Total Non-Current Assets</b>	<b>4,478,409</b>	<b>-</b>	<b>183,252</b>	<b>3,328,634</b>	<b>7,990,295</b>
<b>Total Assets</b>	<b>4,563,352</b>	<b>299,238</b>	<b>360,003</b>	<b>3,328,634</b>	<b>8,551,227</b>
<b>Deferred Outflows of Resources</b>					
Deferred amounts related to pension	156,146	-	-	-	156,146
Deferred amounts related to OPEB	122,219	-	-	-	122,219
<b>Total Deferred Outflows of Resources</b>	<b>278,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>278,365</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	20,877	-	-	-	20,877
Accrued expenses	23,287	-	-	-	23,287
Accrued interest	-	-	-	-	-
Customer deposits payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	87,538	-	41,923	5,058	134,519
Notes payable	42,688	-	-	-	42,688
Loan advances	-	-	-	2,480,173	2,480,173
<b>Total Current Liabilities</b>	<b>174,390</b>	<b>-</b>	<b>41,923</b>	<b>2,485,231</b>	<b>2,701,544</b>
<b>Non-Current Liabilities</b>					
Notes payable	393,989	-	-	-	393,989
Net pension liability	790,183	-	-	-	790,183
Net OPEB liability	248,698	-	-	-	248,698
<b>Total Non-Current Liabilities</b>	<b>1,432,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,432,870</b>
<b>Total Liabilities</b>	<b>1,607,260</b>	<b>-</b>	<b>41,923</b>	<b>2,485,231</b>	<b>4,134,414</b>
<b>Deferred Inflows of Resources</b>					
Deferred amounts related to pension	18,910	-	-	-	18,910
Deferred amounts related to OPEB	50,319	-	-	-	50,319
<b>Total Deferred Inflows of Resources</b>	<b>69,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,229</b>
<b>Net Position</b>					
Net investment in capital assets	4,041,732	-	-	-	4,041,732
Restricted	-	351,475	318,080	843,403	1,512,958
Unrestricted (deficit)	(928,772)	-	-	-	(928,772)
<b>Total Net Position</b>	<b>\$ 3,112,960</b>	<b>\$ 351,475</b>	<b>\$ 318,080</b>	<b>\$ 843,403</b>	<b>\$ 4,625,918</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BRANDENBURG, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Water and Wastewater Fund</b>	<b>Revenue Fund</b>	<b>Sewer Line Extension Fund</b>	<b>Non-Major Proprietary Funds</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues</b>					
Charges for services	\$ -	\$ 1,284,881	\$ -	\$ -	\$ 1,284,881
Connection fees	9,378	14,424	-	-	23,802
Miscellaneous	28,265	24,552	-	-	52,817
<b>Total Operating Revenues</b>	<b>37,643</b>	<b>1,323,857</b>	<b>-</b>	<b>-</b>	<b>1,361,500</b>
<b>Operating Expenses</b>					
Salaries	294,990	-	-	-	294,990
Employee benefits	196,013	-	-	-	196,013
Depreciation	334,773	-	-	-	334,773
Maintenance and supplies	307,002	-	-	-	307,002
Utilities and telephone	90,421	-	-	-	90,421
Insurance	51,407	-	-	-	51,407
Professional fees	16,308	-	-	-	16,308
Utility Tax	13,839	-	-	-	13,839
Travel and training	1,824	-	-	-	1,824
Office supplies	6,664	-	-	-	6,664
Miscellaneous	4,585	-	-	-	4,585
<b>Total Operating Expenses</b>	<b>1,317,826</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,317,826</b>
<b>Operating Loss</b>	<b>(1,280,183)</b>	<b>1,323,857</b>	<b>-</b>	<b>-</b>	<b>43,674</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest income	43	107	81	1,010	1,241
Interest expense	-	-	-	(9,090)	(9,090)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>43</b>	<b>107</b>	<b>81</b>	<b>(8,080)</b>	<b>(7,849)</b>
<b>Income (loss) before transfers</b>	<b>(1,280,140)</b>	<b>1,323,964</b>	<b>81</b>	<b>(8,080)</b>	<b>35,825</b>
Transfers in (out)	1,000,000	(1,240,000)	60,000	142,435	(37,565)
<b>Change in Net Position</b>	<b>(280,140)</b>	<b>83,964</b>	<b>60,081</b>	<b>134,355</b>	<b>(1,740)</b>
<b>Total Net Position, Beginning</b>	<b>3,393,100</b>	<b>267,511</b>	<b>257,999</b>	<b>709,047</b>	<b>4,627,658</b>
<b>Total Net Position, Ending</b>	<b>\$ 3,112,960</b>	<b>\$ 351,475</b>	<b>\$ 318,080</b>	<b>\$ 843,402</b>	<b>\$ 4,625,918</b>

The accompanying notes are an integral part of these financial statements.

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

	Waste & Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Non-Major Proprietary Funds	Total Proprietary Funds
<b>Cash Flows from Operating Activities</b>					
Cash received from customers and others	\$ 37,643	\$ 1,346,784	\$ -	\$ -	\$ 1,384,427
Cash payments to suppliers for goods and services	(295,321)	-	-	-	(295,321)
Cash payments to employees	(678,748)	-	-	-	(678,748)
<b>Net Cash Provided (Used in) Operating Activities</b>	<b>(936,426)</b>	<b>1,346,784</b>	<b>-</b>	<b>-</b>	<b>410,358</b>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>					
Transfers in(out)	1,000,000	(1,240,000)	60,000	142,435	(37,565)
<b>Net Cash (Used in) Provided by Capital and Related Financing Activities</b>	<b>1,000,000</b>	<b>(1,240,000)</b>	<b>60,000</b>	<b>142,435</b>	<b>(37,565)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital expenditures	(1,487)	-	(35,194)	(1,957,036)	(1,993,717)
Due to and due froms	52,238	(52,238)	-	-	-
Proceeds from loan advances	-	-	-	2,480,173	2,480,173
Principal, interest, and related fees paid on long-term debt	(41,399)	-	-	(9,090)	(50,489)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>9,352</b>	<b>(52,238)</b>	<b>(35,194)</b>	<b>514,047</b>	<b>435,967</b>
<b>Cash Flows from Investing Activities</b>					
Cash received from interest income	43	107	81	1,010	1,241
<b>Net Cash Provided by Investing Activities</b>	<b>43</b>	<b>107</b>	<b>81</b>	<b>1,010</b>	<b>1,241</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>72,969</b>	<b>54,653</b>	<b>24,887</b>	<b>657,492</b>	<b>810,001</b>
<b>Cash and Cash Equivalents at July 1, 2020</b>	<b>11,975</b>	<b>163,061</b>	<b>151,864</b>	<b>714,106</b>	<b>1,041,006</b>
<b>Cash and Cash Equivalents at June 30, 2021</b>	<b>\$ 84,944</b>	<b>\$ 217,714</b>	<b>\$ 176,751</b>	<b>\$ 1,371,598</b>	<b>\$ 1,851,007</b>
<sup>(1)</sup> Cash and cash equivalents are reflected in the Statement of Net Position as follows:					
Cash and cash equivalents	\$ 84,943	\$ 217,714	\$ 176,751	\$ -	\$ 479,408
Restricted cash and cash equivalents	-	-	-	1,371,598	1,371,598
<b>Subtotal</b>	<b>\$ 84,943</b>	<b>\$ 217,714</b>	<b>\$ 176,751</b>	<b>\$ 1,371,598</b>	<b>\$ 1,851,006</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
<b>Operating Income (Loss)</b>	<b>\$(1,280,183)</b>	<b>\$ 1,323,857</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,674</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	334,773	-	-	-	334,773
Changes in assets and liabilities:					
(Increase) decrease in due from and due to	-	22,927	-	-	22,927
(Increase) decrease in other accounts receivable	(52,238)	-	-	-	(52,238)
(Increase) decrease in outflows of resources	(71,112)	-	-	-	(71,112)
Increase (decrease) in accounts payable	(8,227)	-	-	-	(8,227)
Increase (decrease) in accrued expenses	(5,273)	-	-	-	(5,273)
Increase (decrease) in net pension liability	79,376	-	-	-	79,376
Increase (decrease) in net OPEB liability	81,748	-	-	-	-
Increase (decrease) in inflows of resources	(15,290)	-	-	-	(15,290)
Total adjustments	<b>343,757</b>	<b>22,927</b>	<b>-</b>	<b>-</b>	<b>366,684</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (936,426)</b>	<b>\$ 1,346,784</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 410,358</b>

The accompanying notes are an integral part of these financial statements.

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

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

The City of Brandenburg, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government located in Meade County. The City's major operations include police and fire protection, parks and recreation, streets, and general administrative services. The City also operates a water, sewer, and sanitation system for its citizens. The citizens of Brandenburg elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

The City's financial statements include the operations of all organizations for which the City Council exercises oversight. Responsibility is demonstrated by financial independency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

**Governmental Funds**

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Nonmajor Governmental Funds* consists of various funds established to account for revenues received for designated purposes: Capital Projects, Christmas by the River, Citizens on Patrol, LGEAF, Municipal Road Aid, and Police Forfeiture Funds

**Proprietary Funds**

- *Water and Wastewater Fund* is a major fund and accounts for the operation, maintenance, and development of the water and wastewater distribution lines.
- *Revenue Fund* is a major fund that collects all revenues from water and wastewater services and transfers to the operating funds.
- *Sewer Line Extension Fund* is a major fund that was established to accumulate funds for extending sewer services to new developments and underserved areas of the City.
- *Nonmajor Proprietary Funds*, consisting of the Bond and Interest Sinking Fund and the Depreciation Fund) receives transfers from other enterprise funds to pay principal and interest on long-term debt and to fund capital improvements.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**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.

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

Prior to June 30, the City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2021, the original budget was approved in May 2020 and amended June 2021. The budget for the General Fund is presented in the Budgetary Comparison Schedule. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.



**CITY OF BRANDENBURG, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Certificates of Deposit**

The City considers demand deposits, money market funds, and Certificate of Deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for loan payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal 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 "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2021 were levied in November on the assessed property located in the City of Brandenburg as of the preceding January 1. The rate for real estate was 22.6 cents per one hundred dollars of assessed value. The rate for auto and boats was 47.73 cents and other tangible property was 47.73 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                           |
|---|---------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30               |
| 2. Face value payment period                  | December 1 to December 31 |
| 3. Past due date, 10% penalty                 | January 1                 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Meade County and are due and collected in the birth month of the licensee.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$1,000, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Equipment	5-10 years
Water and Sewer System Utility Plants	20-40 years
Infrastructure	15-40 years

**Compensated Absences**

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation is required to be used within one year of accumulation. Upon termination, accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meet this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Pensions and Other Postemployment Benefits**

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT**

As of June 30, 2021, the City's cash and cash equivalents balances include deposits held in checking accounts, savings accounts, and certificates of deposit.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$3,170,973 and the bank balances totaled \$3,189,661. At June 30, 2021, \$3,050,084 of collateral was pledged to the City by the custodial bank and \$500,000 by FDIC insurance.

**Credit Risk**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2021, none of the City's deposits were subject to credit risk.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

**NOTE 3 – RECEIVABLES**

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water and Waste Water</u>	<u>Total</u>
Accounts receivables			
Customers	\$ 35,549	\$ 81,524	\$ 117,073
Other	169,190	-	169,190
Gross receivables	204,739	81,524	286,263
Less allowance for bad debt	-	-	-
<b>Net total receivables</b>	<b>\$ 204,739</b>	<b>\$ 81,524</b>	<b>\$ 286,263</b>

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. Inter-fund receivables/payables at June 30, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 134,519	\$ -
O&M	-	87,538
Sewer Line Extension	-	41,923
Depreciation Fund	-	5,058
<b>Total</b>	<b><u>\$ 134,519</u></b>	<b><u>\$ 134,519</u></b>

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

Capital assets for the governmental activities during the year ended June 30, 2021 are as follows:

	<u>Beginning Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2021</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 90,463	\$ -	\$ -	\$ 90,463
Construction in process	-	-	-	-
<b>Total capital assets, not being depreciated:</b>	<b><u>90,463</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>90,463</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings	886,589	-	-	886,589
Machinery and equipment	336,048	83,556	-	419,604
Improvements	452,034	101,951	-	553,985
Infrastructure	1,270,425	4,696	-	1,275,121
<b>Total capital assets, being depreciated:</b>	<b><u>2,945,096</u></b>	<b><u>190,203</u></b>	<b><u>-</u></b>	<b><u>3,135,299</u></b>
<b>Less accumulated depreciation for Governmental Activities</b>				
Accumulated depreciation	1,922,553	93,964	-	2,016,517
<b>Total accumulated depreciation</b>	<b><u>1,922,553</u></b>	<b><u>93,964</u></b>	<b><u>-</u></b>	<b><u>2,016,517</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>1,022,543</u></b>			<b><u>1,119,284</u></b>
<b>Government activities capital assets, net</b>	<b><u>\$ 1,113,006</u></b>			<b><u>\$ 1,209,747</u></b>

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS - CONTINUED**

Depreciation expense for governmental activities is charged to functions as follows:

	<u>2021</u>
General	\$ 8,373
Police	32,074
Fire	44,841
Street	8,676
<b>Total</b>	<b><u>\$ 93,964</u></b>

Capital assets for the business-type activities during the year ended June 30, 2021 are as follows:

	<u>Beginning Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2021</u>
<b>Business-Type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 85,100	\$ -	\$ -	\$ 85,100
Construction in Process	173,370	1,992,230		2,165,600
<b>Total capital assets, not being depreciated:</b>	<b><u>85,100</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,250,700</u></b>
<b>Capital assets, being depreciated:</b>				
Equipment	260,081	1,487	-	261,568
Vehicles	146,699	-	-	146,699
Water and Sewer System	12,749,217	-	-	12,749,217
<b>Total capital assets, being depreciated:</b>	<b><u>13,155,997</u></b>	<b><u>1,487</u></b>	<b><u>-</u></b>	<b><u>13,157,484</u></b>
<b>Less accumulated depreciation for Business-Type Activities</b>				
Accumulated depreciation	8,454,714	334,773	-	8,789,487
<b>Total accumulated depreciation</b>	<b><u>8,454,714</u></b>	<b><u>334,773</u></b>	<b><u>-</u></b>	<b><u>8,789,487</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>4,701,283</u></b>			<b><u>4,367,997</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 4,786,383</u></b>			<b><u>\$ 6,618,697</u></b>

Depreciation expense for business-type activities is charged to functions as follows:

	<u>2021</u>
Sewer	\$ 170,734
Water	164,039
<b>Total</b>	<b><u>\$ 334,773</u></b>

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of long-term debt of the City for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
<b>Governmental-type</b>					
Net Pension Liability	\$ 916,499	\$ 130,953	\$ -	\$ 1,047,452	\$ -
Net OPEB Liability	222,120	107,550	-	329,670	-
<b>Business-type</b>					
Notes Payable	478,076	-	41,806	436,677	42,688
Loan Advances	-	2,480,173	-	2,480,173	-
Net Pension Liability	710,807	79,376	-	790,183	-
Net OPEB Liability	166,950	81,748	-	248,698	-
<b>Total</b>	<b><u>\$ 2,494,452</u></b>	<b><u>\$ 2,879,800</u></b>	<b><u>\$ 41,806</u></b>	<b><u>\$ 5,332,446</u></b>	<b><u>\$ 42,688</u></b>

**Notes Payable**

On November 9, 2015, the City of Brandenburg entered into a loan agreement of \$660,000, with Meade County Bank for construction of a water tower. As of June 30, 2021, the City had a balance of \$436,270 on the loan. The note bears interest at a rate of 1.98% and principal and interest payments are monthly in the amount of \$4,241. The note matures in 2030.

The minimum obligations of the City's at June 30, 2021 for the payment of loan principal and interest are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2022	\$42,688	\$8,208	\$50,897
2023	\$43,515	\$7,382	\$50,897
2024	\$44,365	\$6,532	\$50,897
2025	\$45,267	\$5,630	\$50,897
2026	\$46,169	\$4,728	\$50,897
2027 - 2031	\$214,673	\$10,529	\$225,202
<b>Total</b>	<b><u>\$436,677</u></b>	<b><u>\$43,009</u></b>	<b><u>\$479,687</u></b>

**NOTE 7 – RETIREMENT PLAN**

The City is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, City, and school board, and any additional eligible local agencies electing to participate in the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Contributions* – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2021, participating employers contributed 24.06% (non-hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each month, when employer contribution are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years or age 57+ sum of service years plus age equal 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.



**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN-CONTINUED**

For the fiscal year ended June 30, 2021 the City's covered payroll for non-hazardous positions was \$655,866. There are no employees subject to the hazardous job classification contribution requirements.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2021, the City reported a liability of \$1,837,635 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the net pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was .024 percent for non-hazardous.

For the year ended June 30, 2021, the City recognized pension expenses of \$301,287. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual results	\$ 45,825	\$ -
Changes of assumptions	71,757	-
Net difference between projected and actual earnings on plan investments	79,655	33,671
Changes in proportion and difference between City contributions and proportionate share of contributions	39,311	10,306
City contributions subsequent to the measurement date	126,582	-
<b>Total</b>	<u><u>\$ 363,130</u></u>	<u><u>\$ 43,979</u></u>

The \$126,582 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2021	\$ 85,663
2022	\$ 63,689
2023	\$ 24,750
2024	\$ 18,469

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7– RETIREMENT PLAN – CONTINUED**

*Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability*

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

However, during the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2020 is determined using these updated benefit provisions.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation date	June 30, 2017
Experience study	July 1, 2014 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	26 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 11.55% Nonhazardous 3.05% to 18.55%, Hazardous
Investment rate of return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four 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 long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate or return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

*Discount Rate*

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new 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:

	<b>Discount Rate</b>	<b>City's Proportionate Share of Net Pension Liability</b>
1% Decrease	5.25%	\$ 2,266,204
Current discount rate	6.25%	\$ 1,837,635
1% Increase	7.25%	\$ 1,482,764

*Payable to the Pension Plan* – At June 30, 2021, the City reported no outstanding liability amount to the pension plan.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under the Kentucky revised Statue Section 61.645. The KRS board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

*Benefits Provided*

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

*Contributions*

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2021 was 5.26% (non-hazardous) of covered payroll. Contributions to the Insurance Fund from the City were \$31,219 for the year ended June 30, 2021. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

*Net OPEB Liability*

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2018 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2020, is determined using these updated benefit provisions.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation date	June 30, 2018
Experience study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 11.55% Nonhazardous 3.05% to 18.55%, Hazardous
Investment rate of return	6.25%
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (setback 1 year for females).

*Discount Rate*

The projection of cash flows used to determine the discount rate of 5.34% for CERS non-hazardous, assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2014 through 2014, is outlined in a report dated April 12, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighing the expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which covers a longer timeframe. The assumptions are intended to be long-term assumptions and are not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

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

Valuation date	June 30, 2018
Experience study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 11.55% Nonhazardous 3.05% to 18.55%, Hazardous
Investment rate of return	6.25%
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.34%) or one percentage point higher (6.34%) follows:

	<u>Discount Rate</u>	<u>City's proportionate Share of Net OPEB Liability</u>
1% Decrease	4.34%	\$ 743,033
Current discount rate	5.34%	\$ 578,368
1% Increase	6.34%	\$ 443,123

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.34%) or one percentage point higher (6.34%) than current healthcare cost trend rates follows:

<u>City's Net OPEB Liability (Asset)</u>		
<u>Healthcare Cost</u>		
Trend Rate 1% Decrease 4.34%	Current Discount Rate 5.34%	Trend Rate 1% Increase 6.34%
<u>\$ 447,801</u>	<u>\$ 578,368</u>	<u>\$ 736,814</u>

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

At June 30, 2021, the City reported a liability of \$578,368 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2018. This method to be reflective of the employers' long-term contribution effort. At June 30, 2021, the City's proportion was .024 percent.

For the year ended June 30, 2021, the City recognized OPEB expenses of \$79,086. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual results	\$ 96,633	\$ 96,709
Implicit subsidy	14,194	-
Changes of assumptions	100,602	612
Net difference between projected and actual earnings on plan investments	31,025	11,802
Changes in proportion and difference between City contributions and proportionate share of contributions	10,557	7,898
City contributions subsequent to the measurement date	31,219	-
<b>Total</b>	<b>\$ 284,230</b>	<b>\$ 117,021</b>

**CITY OF BRANDENBURG, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

The \$31,219 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	
2021	\$ 32,459
2022	\$ 38,148
2023	\$ 27,249
2024	\$ 25,808
2025	\$ (1,867)
Thereafter	\$ -

Deferred outflows and inflows related to differences between projected and actual earnings on plan investment are netted and amortized over a closed five-year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they incurred.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City receives state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such allowances, if any, will not be significant.

In anticipation of the additional sewage requirements associated with a major new industry, the City is construction a new wastewater treatment plant at a cost of \$8.4 million. The project is funded through the issuance of bonds. For the year ended the City received \$2,480,173.

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2021, the City was sufficiently insured.

**NOTE 11 – SUBSEQUENT EVENTS**

City of Brandenburg, Kentucky's management has evaluated and considered the need to recognize or disclose subsequent events through March 1, 2022 which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2021, have not been evaluated by management.

Early in 2020, the United States was struck with the COVID-19 virus. It has severely impacted economies around the globe, as businesses are being forced to cease or limit operations for long or indefinite periods of time. The measures taken to contain the spread of the virus have resulted in an economic slowdown. While some steps have been taken to stabilize economic conditions, the effectiveness of these responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of the pandemic, as well as their impact on the financial position of the City for future periods.



**CITY OF BRANDENBURG, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 12 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through March 1, 2022, which is the date the financial statements were available to be issued.

**CITY OF BRANDENBURG, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budget</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 970,000	\$ 999,400	\$ 1,137,447	\$ 138,047
Franchise Fees	17,300	17,300	17,945	645
Licenses and Permits	60,000	60,000	46,511	(13,489)
Rental Income	15,000	30,000	31,244	1,244
Intergovernmental Revenue	26,000	26,000	293,096	267,096
Service charges and fees	370,000	370,000	379,681	9,681
Other	30,700	301,600	55,143	(246,457)
<b>Total Revenues</b>	<b>1,489,000</b>	<b>1,804,300</b>	<b>1,961,067</b>	<b>156,767</b>
<b>Expenditures</b>				
General Government	500,200	697,120	481,995	215,125
Public Safety	421,700	393,900	427,749	(33,849)
Streets	-	-	49,343	(49,343)
Sanitation	370,000	365,000	377,744	(12,744)
Parks and Recreation	30,000	27,000	43,871	(16,871)
Community Projects	112,000	70,000	19,694	50,306
Capital Outlay	-	-	190,703	
<b>Total Expenditures</b>	<b>1,433,900</b>	<b>1,553,020</b>	<b>1,591,099</b>	<b>(38,079)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>55,100</b>	<b>251,280</b>	<b>369,968</b>	<b>118,688</b>
<b>Other Financing Sources (uses)</b>				
Transfers in (out)	-	-	37,565	37,565
<b>Net other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>37,565</b>	<b>37,565</b>
<b>Net Change in Fund Balance</b>	<b>55,100</b>	<b>251,280</b>	<b>407,533</b>	<b>232,411</b>
<b>Fund Balance, Beginning</b>	<b>730,256</b>	<b>786,686</b>	<b>833,504</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 785,356</b>	<b>\$ 1,037,966</b>	<b>\$ 1,241,037</b>	<b>\$ 232,411</b>

**NOTE A - BASIS OF PRESENTATION**

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget and all transactions are presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

**CITY OF BRANDENBURG, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SEVEN FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City's proportion of the net pension liability (asset)	0.02282%	0.022583%	0.022488%	0.023504%	0.026630%	0.023138%	0.023959%
City's proportionate share of the net pension liability (asset)	\$740,000	\$970,951	\$1,107,205	\$1,375,761	\$1,441,149	\$1,627,306	\$1,837,635
City's covered-employee payroll	\$523,526	\$528,816	\$514,404	\$572,265	\$586,677	\$593,306	\$655,866
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.35%	183.61%	215.24%	240.41%	245.65%	274.28%	280.18%
Plan fiduciary net position as a percentage of the total pension liability	68.80%	59.97%	55.50%	53.33%	53.54%	50.48%	47.81%

**CITY OF BRANDENBURG, KENTUCKY**  
**SCHEDULE OF CONTRIBUTIONS**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**LAST seven FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 67,424	\$ 63,889	\$ 79,831	\$ 84,951	\$ 96,234	\$ 118,446	\$ 126,582
Contributions in relation to the contractually required contribution	<u>67,424</u>	<u>63,889</u>	<u>79,831</u>	<u>84,951</u>	<u>96,234</u>	<u>118,446</u>	<u>126,582</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 528,816	\$ 514,404	\$328,418	\$586,677	\$593,306	\$611,992	\$655,866
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	24.31%	14.48%	16.22%	19.35%	19.30%

Notes to Required Supplementary Information:

*Valuation dates.* Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

*Changes in benefit terms.* There were no benefit changes reported in the June 30, 2017 actuarial report.

*Changes in assumptions.* There were no changes in assumptions and methods reported in the June 30, 2017 actuarial report.

**CITY OF BRANDENBURG, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST FOUR FISCAL YEARS**

	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
City's proportion of the net OPEB liability	0.023504%	0.023663%	0.023138%	0.023952%
City's proportionate share of the net OPEB liability	\$ 472,511	\$ 420,114	\$ 389,070	\$ 578,368
City's covered-employee payroll	\$ 572,265	\$ 586,677	\$ 593,306	\$ 655,866
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.57%	71.61%	65.58%	88.18%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%	58.84%

**CITY OF BRANDENBURG, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO THE  
OTHER POST EMPLOYMENT BENEFITS  
LAST FOUR FISCAL YEARS**

	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
Contractually required contribution	\$ 27,574	\$ 31,208	\$ 29,213	\$ 31,219
Contributions in relation to the contractually required contribution	<u>27,574</u>	<u>31,208</u>	<u>29,213</u>	<u>31,219</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 572,265	\$ 586,677	\$ 593,306	\$ 655,866
Contributions as a percentage of covered-employee payroll	4.82%	5.32%	4.92%	4.76%

CITY OF BRANDENBURG, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Capital Projects Fund	Christmas by the River Fund	Citizens on Patrol Fund	LGEA Fund	Municipal Road Aid Fund	Police Forfeiture Fund	Health Insurance Fund	Total Non-major Fund
<b>Assets</b>								
Cash in bank	\$ 130,438	\$ 18,823	\$ 7,982	\$ -	\$ -	\$ 1,741	\$ 4,750	\$ 163,734
Restricted cash	-	-	-	85,365	90,044	-	-	175,409
Due from other funds	-	-	-	9,152	-	-	-	9,152
<b>Total Assets</b>	<b>\$ 130,438</b>	<b>\$ 18,823</b>	<b>\$ 7,982</b>	<b>\$ 94,517</b>	<b>\$ 90,044</b>	<b>\$ 1,741</b>	<b>\$ 4,750</b>	<b>\$ 348,295</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 9,055	\$ -	\$ -	\$ 9,055
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,055</b>	<b>-</b>	<b>-</b>	<b>9,055</b>
<b>Fund Balance</b>								
Restricted:								
Economic assistance	-	-	-	94,517	-	-	-	94,517
Municipal roads	-	-	-	-	80,989	-	-	80,989
Assigned:	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	4,750	4,750
Community projects	-	18,823	-	-	-	-	-	18,823
Public safety	-	-	7,982	-	-	1,741	-	9,723
Future construction	130,438	-	-	-	-	-	-	130,438
<b>Total Fund Balance</b>	<b>130,438</b>	<b>18,823</b>	<b>7,982</b>	<b>94,517</b>	<b>80,989</b>	<b>1,741</b>	<b>4,750</b>	<b>339,240</b>
<b>Total Liabilities</b>								
<b>And Fund Balance</b>	<b>\$ 130,438</b>	<b>\$ 18,823</b>	<b>\$ 7,982</b>	<b>\$ 94,517</b>	<b>\$ 90,044</b>	<b>\$ 1,741</b>	<b>\$ 4,750</b>	<b>\$ 348,295</b>

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

	Captial Projects Fund	Christmas by the River Parade Fund	Citizens on Patrol Fund	LGEA Fund	Municipal Road Aid Fund	Police Forfeiture Fund	Health Insurance Fund	Total Non-major Fund
<b>Revenues</b>								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	1,679	-	-	40	41	-	-	1,760
Intergovernmental revenues	-	-	-	43,112	50,400	-	-	93,512
Miscellaneous	-	17,216	1,200	-	-	247	-	18,663
<b>Total Revenues</b>	<b>1,679</b>	<b>17,216</b>	<b>1,200</b>	<b>43,152</b>	<b>50,441</b>	<b>247</b>	<b>-</b>	<b>113,935</b>
<b>Expenditures</b>								
Current:								
General government	-	-	-	-	-	-	4,378	4,378
Streets and highways	-	-	-	-	49,343	-	-	49,343
Community projects	-	19,694	-	-	-	-	-	19,694
Public safety	-	-	704	30,142	-	208	-	31,054
<b>Total Expenditures</b>	<b>-</b>	<b>19,694</b>	<b>704</b>	<b>30,142</b>	<b>49,343</b>	<b>208</b>	<b>4,378</b>	<b>104,469</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,679</b>	<b>(2,478)</b>	<b>496</b>	<b>13,010</b>	<b>1,098</b>	<b>39</b>	<b>(4,378)</b>	<b>9,466</b>
<b>Other Financing Sources</b>								
Transfers out	-	-	-	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>1,679</b>	<b>(2,478)</b>	<b>496</b>	<b>13,010</b>	<b>1,098</b>	<b>39</b>	<b>(4,378)</b>	<b>9,466</b>
<b>Fund Balance - Beginning of Year</b>	<b>128,759</b>	<b>21,301</b>	<b>7,486</b>	<b>81,507</b>	<b>79,891</b>	<b>1,702</b>	<b>9,128</b>	<b>329,774</b>
<b>Fund Balance - End of Year</b>	<b>\$ 130,438</b>	<b>\$ 18,823</b>	<b>\$ 7,982</b>	<b>\$ 94,517</b>	<b>\$ 80,989</b>	<b>\$ 1,741</b>	<b>\$ 4,750</b>	<b>\$ 339,240</b>



CITY OF BRANDENBURG, KENTUCKY  
COMBINING STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
JUNE 30, 2021

	Capital Projects Fund	Depreciation Fund	Bond And Interest Fund	Total Non-major Funds
<b><u>Assets</u></b>				
<b>Non-Current Assets</b>				
Restricted cash	\$ 794,898	\$ 295,085	\$ 281,615	\$ 1,371,598
Construction in progress	1,685,886	271,150	-	1,957,036
<b>Total Assets</b>	<b>\$ 2,480,784</b>	<b>\$ 566,235</b>	<b>\$ 281,615</b>	<b>\$ 3,328,634</b>
<b><u>Liabilities</u></b>				
<b>Non-Current Assets</b>				
Due to other funds	\$ -	\$ 5,058	\$ -	\$ 5,058
Loan draws	2,480,173	-	-	2,480,173
<b>Total Liabilities</b>	<b>2,480,173</b>	<b>5,058</b>	<b>-</b>	<b>2,485,231</b>
<b><u>Net Position</u></b>				
Restricted:				
Future Construction	611	561,177	-	561,788
Debt service	-	-	281,615	281,615
<b>Total Net Position</b>	<b>611</b>	<b>561,177</b>	<b>281,615</b>	<b>843,403</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,480,784</b>	<b>\$ 566,235</b>	<b>\$ 281,615</b>	<b>\$ 3,328,634</b>

**CITY OF BRANDENBURG, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - NON-MAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Capital Projects Fund</b>	<b>Depreciation Fund</b>	<b>Bond and Interest Fund</b>	<b>Total Non-major Funds</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest income	\$ 611	\$ 179	\$ 221	\$ 1,011
Interest expense	-	-	(9,090)	(9,090)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>611</b>	<b>179</b>	<b>(8,869)</b>	<b>(8,079)</b>
<b>Income (Loss) Before Transfers</b>	<b>611</b>	<b>179</b>	<b>(8,869)</b>	<b>(8,079)</b>
Transfers in	-	120,000	60,000	180,000
Transfers out	-	-	(37,565)	<b>(37,565)</b>
<b>Changes in Net Position</b>	<b>611</b>	<b>120,179</b>	<b>13,566</b>	<b>134,356</b>
<b>Net Position - Beginning of Year</b>	<b>-</b>	<b>440,998</b>	<b>268,049</b>	<b>709,047</b>
<b>Net Position - End of Year</b>	<b>\$ 611</b>	<b>\$ 561,177</b>	<b>\$ 281,615</b>	<b>\$ 843,403</b>

**SK LEE CPAS, P.S.C.**

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*Member of Kentucky Society of CPA's*

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

To the Honorable Mayor and Members of the City Council  
City of Brandenburg  
Brandenburg, Kentucky 40108

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brandenburg (hereinafter called "the City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2022.

**Internal Control over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as items 2021-001.

**Compliance and Other Matters**

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

### **The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

***SK LEE CPAS, P.S.C.***

Berea, Kentucky  
March 1, 2022

**CITY OF BRANDENBURG, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2021**

**MATERIAL WEAKNESS**

2021-001 Financial Statement Preparation

Condition:

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria:

During my audit procedures, I noted some instances of this objective not being completely achieved.

Cause:

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

Effect:

Management is responsible establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regard to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Recommendation:

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

Views of Responsible Officials:

Management agrees with the recommendation.

**SK LEE CPAS, P.S.C.**

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March 1, 2022

The Honorable Mayor and Members of the City Council  
City of Brandenburg, Kentucky  
P.O. Box 305  
Brandenburg, Kentucky 40108

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Brandenburg (hereinafter called "the City") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There are no accounting estimates that are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management (see attached).

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose while our audit.