

**CITY OF CALVERT CITY
CALVERT CITY, KENTUCKY**

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Gene Colburn, Mayor
Members of the City Council
City of Calvert City
Calvert City, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Calvert City, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, the respective budgetary comparison for the General Fund and the Special Revenue Municipal Aid Fund on pages 43-44, and pension and other post-employment benefits schedules on pages 45-48 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

The combining and individual nonmajor fund financial statements on pages 49-50 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of the City of Calvert City, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Calvert City, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Calvert City, Kentucky's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Paducah, Kentucky
March 11, 2022

REQUIRED SUPPLEMENTARY INFORMATION

CALVERT CITY, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2021

This Management Discussion and Analysis of the financial condition of the City of Calvert City, Kentucky is intended to provide those who may be interested a narrative overview and analysis of the fiscal condition of the City. The information presented herein should be weighed in conjunction with the financial statements (pages 11-50) provided to fully understand the fiscal status of the City of Calvert City on June 30, 2021 and as a basis for projecting and forecasting the needs, not only for the immediate future but for the long term.

Financial Highlights:

City total assets exceeded its total liabilities on June 30, 2021 by \$34,034,875. Of this amount, \$2,485,145 is unrestricted and therefore available to meet the City's continuing obligations.

The total net assets of the City increased by \$1,777,731 from June 30, 2020 to June 30, 2021.

As of June 30, 2021 the City's combined ending fund balances was \$8,601,201, a decrease of \$634,874 from the end of the previous year. Of this amount, \$6,105,642 of these funds was unassigned and available for current expenditures.

The unassigned fund balance of the general fund represents 149% percent of the total 2021 general fund expenditures.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the City as A Whole

Government-wide financial statements

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting, used by most private-sector companies. Current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the overall health of the City.

The City accounts for all activities in the Statement of Net Assets and the Statement of Activities under governmental and business-type activities:

- **Governmental activities:** all of the City's basic services are reported here, including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, and state and federal grants finance most of these activities. Fee charges to customers to help cover most of the cost of the City's refuse operations are reported here.
- **Business-Type activities:** the City's water and sewer systems services are reported here. Revenues are primarily from charges for services. Costs (expenses) are primarily to provide services.

The government-wide financial statements can be found on pages 11-12 of this report.

Reporting the City's Most Significant Funds

Fund financial statements

Our analysis of the City's major funds begins on page 13. The fund financial statements provide detailed information about the most significant-funds and not the City as a whole. Some funds are required to be established by state statutes. However the City Council establishes many other funds to help it control and manage money for particular purposes (Ex. Capital Project Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Aid Grant Fund).

Governmental funds : The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement at the end of the fund financial statements.

Business-type funds : The City's Water and Sewer System is an enterprise fund and is reported here. Operations of the System are accounted for and financed and operated in a manner similar to private business enterprise. As such, its revenues are expected to cover the expense of providing services, capital maintenance, and debt service. As a proprietary fund, a distinction is made between operating and nonoperating revenues and expenses.

Notes to the financial statements

The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

THE CITY AS A WHOLE

The following section presents a condensed financial comparison of net assets, revenues and expenses and provides explanation for significant changes. Please see the following for the condensed Statement of Net Assets and condensed Statement of Revenues, Expenses and Changes in Net Assets for the previous and current fiscal year.

Condensed Statement of Net Assets

June 30,

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current assets | \$ 8,899,665 | \$ 9,513,205 | \$ 879,586 | \$ 1,018,861 | \$ 9,779,251 | \$ 10,532,066 |
| Non-current assets | 18,962,479 | 15,855,424 | 13,825,769 | 13,302,479 | 32,788,248 | 29,157,903 |
| Total Assets | 27,862,144 | 25,368,629 | 14,705,355 | 14,321,340 | 42,567,499 | 39,689,969 |
| Deferred Outflows of Resources | 1,705,469 | 1,572,965 | 370,909 | 341,967 | 2,076,378 | 1,914,932 |
| Liabilities: | | | | | | |
| Current liabilities | 386,258 | 375,844 | 361,420 | 356,178 | 747,678 | 732,022 |
| Non-current liabilities | 6,629,294 | 5,499,717 | 2,901,072 | 2,468,841 | 9,530,366 | 7,968,558 |
| Total Liabilities | 7,015,552 | 5,875,561 | 3,262,492 | 2,825,019 | 10,278,044 | 8,700,580 |
| Deferred Inflows of Resources | 264,830 | 521,784 | 66,128 | 125,393 | 330,958 | 647,177 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 18,962,479 | 15,855,424 | 12,225,419 | 11,950,850 | 31,187,898 | 27,806,274 |
| Restricted net assets | 234,201 | 186,366 | 127,631 | 62,661 | 361,832 | 249,027 |
| Unrestricted net assets | 3,090,551 | 4,502,459 | (605,406) | (300,616) | 2,485,145 | 4,201,843 |
| Total net assets | \$ 22,287,231 | \$ 20,544,249 | \$ 11,747,644 | \$ 11,712,895 | \$ 34,034,875 | \$ 32,257,144 |

As of June 30, 2021, the City had assets greater than its liabilities of \$34,034,875, an increase of \$1,777,731 from the previous year. The City's governmental activities accounted for \$1,742,982 of the increase in net position. The business-type activity accounted for \$34,749 of the remainder of the increase.

The majority of the City's net assets (92%) are invested in capital assets (streets, drainage, buildings, equipment, water and sewer system, etc.). Restrictions for special purpose are imposed upon 1% of the net assets. Unrestricted assets available for general expenditures account

(Continued on next page)

**Comparison of
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|---------------|---------------------------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 128,139 | \$ 134,493 | \$ 2,109,240 | \$ 1,929,560 | \$ 2,237,379 | \$ 2,064,053 |
| Operating grants and contributions | 51,843 | 48,896 | - | - | 51,843 | 48,896 |
| Capital grants and contributions | 2,349,318 | 723,775 | 7,350 | 9,644 | 2,356,668 | 733,419 |
| General revenues: | | | | | | |
| Property taxes | 1,390,217 | 1,335,769 | - | - | 1,390,217 | 1,335,769 |
| Payroll taxes | 1,453,007 | 1,457,770 | - | - | 1,453,007 | 1,457,770 |
| Other taxes | 1,402,171 | 1,122,145 | - | - | 1,402,171 | 1,122,145 |
| License, permits and fees | 480,088 | 411,872 | - | - | 480,088 | 411,872 |
| Other revenue | 99,203 | 145,839 | 36,838 | 14,302 | 136,041 | 160,141 |
| | - | - | - | - | - | - |
| Total revenue | 7,353,986 | 5,380,559 | 2,153,428 | 1,953,506 | 9,507,414 | 7,334,065 |
| Expenses | | | | | | |
| General government | 1,626,860 | 1,452,351 | - | - | 1,626,860 | 1,452,351 |
| Public safety | 1,780,993 | 1,696,265 | - | - | 1,780,993 | 1,696,265 |
| Sanitation | 325,883 | 312,676 | - | - | 325,883 | 312,676 |
| Highways and streets | 1,075,320 | 1,005,216 | - | - | 1,075,320 | 1,005,216 |
| Parks and recreation | 551,502 | 547,195 | - | - | 551,502 | 547,195 |
| Airport | 75,446 | 42,725 | - | - | 75,446 | 42,725 |
| Interest on long-term debt | - | - | - | - | - | - |
| Water and sewer | - | - | 2,293,679 | 1,997,872 | 2,293,679 | 1,997,872 |
| Total expense | 5,436,004 | 5,056,428 | 2,293,679 | 1,997,872 | 7,729,683 | 7,054,300 |
| Increase in net assets before transfers | 1,917,982 | 324,131 | (140,251) | (44,366) | 1,777,731 | 279,765 |
| Transfers | (175,000) | (116,490) | 175,000 | 116,490 | - | - |
| Increase or (decrease) in net assets | 1,742,982 | 207,641 | 34,749 | 72,124 | 1,777,731 | 279,765 |
| Net assets - beginning as restated | 20,544,249 | 20,336,608 | 11,712,895 | 11,640,771 | 32,257,144 | 31,977,379 |
| Net assets - end of year | \$ 22,287,231 | \$ 20,544,249 | \$ 11,747,644 | \$ 11,712,895 | \$ 34,034,875 | \$ 32,257,144 |

Revenues

Normally, the City's governmental revenues are primarily from the collection of various taxes. During the fiscal year ended June 30, 2021 the major sources of revenues are: Personal and real property taxes - 19%; Payroll taxes - 20 %; Franchise and Insurance Premium taxes - 19%. Charges for services, grants, contributions, fees, and licenses combined represent the balance of revenues.

The City's business-type activity revenues were primarily from charges for services - 98%, and grants and other revenues - 2%

Expenditures

The costs of all governmental activities were \$5.4 million. The Statement of Activities shows that \$128 thousand was financed by those who use the services; \$2.4 million was financed by grants and contributions with the city's general revenues financing \$2.87 million.

Approximately 97% of the total costs (expenses) of \$2.1 million of the business-type activities were financed by charges for services.

General Fund Budgetary Highlights

The City's total revenues were \$182 thousand more than budgeted. Higher than estimated tax and license tax revenues were the primary reason for this. There are several sources of revenue which are difficult to accurately estimate but actual total revenues were close to budget. The City's total expenditures were \$684 thousand less than budgeted.

Capital Assets and Debt Administration

The City's investments in capital assets as of June 30, 2021 for its governmental activities were \$18.9 million, net of depreciation as reflected in the schedule below:

Capital Assets June 30, (In thousands, net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 4,953 | \$ 4,923 | \$ 283 | \$ 283 | \$ 5,236 | \$ 5,206 |
| Construction in progress | 4,488 | 1,831 | 1,687 | 1,354 | 6,175 | 3,185 |
| Infrastructure and land improvements | 6,300 | 6,533 | | | 6,300 | 6,533 |
| Water and sewer system | | | 11,527 | 11,439 | 11,527 | 11,439 |
| Buildings and improvements | 1,697 | 1,434 | | | 1,697 | 1,434 |
| Vehicles | 285 | 343 | 124 | 62 | 409 | 405 |
| General equipment and furnishings | 1,239 | 791 | 205 | 164 | 1,444 | 955 |
| | <u>\$ 18,962</u> | <u>\$ 15,855</u> | <u>\$ 13,826</u> | <u>\$ 13,302</u> | <u>\$ 32,788</u> | <u>\$ 29,157</u> |

Major additions to capital assets during the current year include the (in thousands):

| | | | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|
| Land | \$ 29 | \$ 45 | \$ - | \$ - | \$ 29 | \$ 45 |
| Infrastructure and land improvements | 3,241 | 1,383 | | | 3,241 | 1,383 |
| Water and sewer system | | | 918 | 960 | 918 | 960 |
| Buildings and improvements | - | - | | | - | - |
| Vehicles | 50 | 26 | 81 | - | 131 | 26 |
| General equipment and furnishings | 596 | 130 | 67 | 34 | 663 | 164 |
| | <u>\$ 3,916</u> | <u>\$ 1,584</u> | <u>\$ 1,066</u> | <u>\$ 994</u> | <u>\$ 4,982</u> | <u>\$ 2,578</u> |

At year end, the City had \$60,000 of leases payable, \$1,122,415 of notes payable and \$400,000 of bonds payable outstanding. The leases, bonds, and notes payable were issued to finance equipment and infrastructure. Detailed information on the city's long-term debt can be found in Notes G and H on pages 29-31 of the report.

Future Operations

Calvert City began a strategic plan in 2014. It has utilized this plan to pursue citizen goals for the city. These goals and objectives have been the primus for the city's direction for current and future projects based on the responses received from the citizenry. This fiscal year the city contracted with Chastain and Associates to update our Strategic Plan. The city is still actively working on several projects from the original plan, but feels it is time to take another look and obtain input for revisions and future goals. One of the most ambitious projects is the connection of Calvert City's downtown to Kentucky Dam Village State Resort Park via a multi-use trail. The goal of this project was not just connectivity, but to promote tourism by creating an aesthetically pleasing draw for the motoring public from the I-24/I-69 interchange at US Highway 62 to both the city and Kentucky Dam State Park highlighting the northern entrance of Kentucky Lake. This project is being constructed in segments by both the State and the City. The State's portion is now complete and the city has agreed to the grounds keeping duties. The City's third and final segment from East 5th Avenue to U.S. Highway 62 along east side of Lone Valley Road will connect the city and the State segments. The multi-use trail is a shared trail for pedestrians and bicyclists. The Transportation Alternative Program (TAP) funding application submitted by the city was granted for up to \$550,000 for the multi-use trail. The COVID-19 pandemic has slowed the progress of the final phase, but it is still progressing.

The city, in a lease agreement with the Kentucky Department of Parks, has assumed operational and managerial control of the Kentucky Dam State Park Airport. The City and the Kentucky Department of Aviation have worked together to begin upgrades to the Kentucky Dam State Park Airport. Two five-thousand-gallon fuel tanks were installed to allow for the sale of aviation fuels (100LL and Jet A) at the airport. The City has finished remodeling the terminal and construction has begun on two (2) new eight (8) unit hangars. The project cost will be shared with the State funding the concrete and asphalt and the City funding the hangars. Revenue from hangar rent will go to pay the debt of the hangars and to provide maintenance as needed. Another project completed, resurfacing of the runway was funded by the State as well. The airport was decertified two years ago because of its lack of based aircraft. The number of aircraft based at the airport now is adequate and the FAA has recertified us this year. The certification allows the airport to receive Federal Aviation Administration funding for future projects. The City believes upgrading the airport will rejuvenate it and help bring economic opportunities to the City through tourism.

Calvert City understands the need and strives continually to be fiscally responsible and more efficient. This includes reducing our energy costs and consumption whenever possible, efficiently utilizing our skilled workforce, and closely monitoring our expenditures. Reduction of our energy costs is typically done by utilizing new technologies that pay for themselves over a fixed period of years through cost savings. The city continues to install or replace existing lights and fixtures with LED lights and fixtures, insulation upgrades, thermal windows, more energy efficient HVAC systems and to incorporate applications such as automated and programmable controls and replace existing fixtures with more energy efficient systems throughout the city.

The city has established a maintenance program throughout its facilities with emphasis on repair of existing or replacement with more economical systems. The goal is to move from response maintenance to preventative maintenance for the city facilities and enhance the aesthetics of the city facilities. The City remodeled the Calvert City Civic Center creating the ability to hold multiple functions simultaneously, created a catering kitchen and an office for the City's Marketing Director. Efficiency upgrades were changing the 3-phase electrical system to a single-phase, insulation and LED lighting. Other upgrades were new doors, the addition of thermal windows, a brick façade, paint and ADA accessibility. The City utilized its workforce to do most of the construction labor and be the general contractor. Window installation, electrical, plumbing and painting were contracted. The City's facility maintenance technician continues to identify and terminate electrical services that are either not needed, under-utilized or in this case oversized. Currently the City is remodeling the exterior of City Hall because of rainwater infiltration. The front door, windows and the outer skin are being reworked to prevent rainwater from entering the building and give City Hall a new appearance.

The city's workforce continues to enhance its personnel's capabilities through specialized training. Qualified employees help to ensure the safety of the public. The city is mandating special training for certain employees to insure the proper use and management of facilities and equipment. Equipping employees with the knowledge and tools needed to meet the ever-changing demands is continuous and essential. Its design is to build employee morale and skills and ensure the safety of the residents and employees.

The city has increased its land holdings to facilitate more activities and space within the city's services. This year the City acquired five (5) properties; two tracts equaling 1.22 acres located adjacent to both Doctor's Memorial Park' eastern boundary and to the Public Works Department's southern boundary. One (1) 1.5723-acre tract of land adjacent to the southern boundary of the east side of Memorial Park. One (1) 25.239-acre tract of land adjacent to the west side of Doctor's Memorial Park; and one (1) 8.0626-acre tract at the southeast corner of E. 6th Avenue and Cedar Street. All the land acquired has a defined purpose as part of our strategic plan.

To increase our workforce's ability to cope with the increasing workloads, we replace aging equipment with new and better equipment. This year the city has added a new pumper for the Fire Department, a vehicle for City Hall and a patrol car for the Police Department. The city has also ordered new playground equipment for Old Park to replace an unsafe structure which has been removed.

The Calvert City Street Revitalization Program is now in its third five-year program. This program has been highly successful in getting the city streets to a very good condition. The program is developed by an independent third-party engineering firm to establish an annual, accelerated, and prioritized repair of city streets based on the greatest need. Flooding and flash flooding are ever present issues of the city, and it continues an aggressive storm water drainage program of culvert replacement and/or repair and reworking storm water conveyors as needed to ensure the

proper drainage of storm water. This year the city acquired an eight (8) acre tract of land to develop a stormwater detention basin. HDR Engineering is designing the basin and construction is set for next year.

In the area of economic development, the city continues to work with Marshall County Economic Development for industrial preservation and recruitment, but is actively utilizing our Director of Marketing, Communications and Business Development for commercial and residential retention and recruitment. The marketing director also acts as our social media and public affairs person. The city is conducting an update to our Strategic Plan and a developing a Transportation Master Plan which will include a Greenways Master Plan component as it continues to explore direction and funding sources for infrastructure projects. Retail Strategies has been contracted to recruit commercial business and the City prepares for and has started hosting events for its Sesquicentennial celebration.

Requests for Additional Information

This report is intended to provide the readers with a general overview of Calvert City's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in this report or need additional information, please contact Calvert City Hall, Attn: City Administrator, 861 East 5th Ave., P.O. Box 36, Calvert City, KY 42029

BASIC FINANCIAL STATEMENTS

CITY OF CALVERT CITY, KENTUCKY
Statement of Net Position
June 30, 2021

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 7,012,579 | \$ 1,017,074 | \$ 8,029,653 |
| Receivables (net) | 1,069,815 | 344,350 | 1,414,165 |
| Internal balances | 498,834 | (498,834) | - |
| Investments | 255,336 | - | 255,336 |
| Prepaid expenses | 62,626 | 15,162 | 77,788 |
| Other current assets | 475 | 1,834 | 2,309 |
| Total current assets | <u>8,899,665</u> | <u>879,586</u> | <u>9,779,251</u> |
| Non-current assets: | | | |
| Capital assets, not being depreciated | 9,440,197 | 1,969,745 | 11,409,942 |
| Capital assets, net of accumulated depreciation | <u>9,522,282</u> | <u>11,856,024</u> | <u>21,378,306</u> |
| Total non-current assets | <u>18,962,479</u> | <u>13,825,769</u> | <u>32,788,248</u> |
| Total Assets | <u>27,862,144</u> | <u>14,705,355</u> | <u>42,567,499</u> |
| Deferred Outflows of Resources: | | | |
| Deferred pension related outflows | 1,011,129 | 202,273 | 1,213,402 |
| Deferred other post-employment benefits outflows | <u>694,340</u> | <u>168,636</u> | <u>862,976</u> |
| Total deferred outflows of resources | <u>1,705,469</u> | <u>370,909</u> | <u>2,076,378</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 187,843 | 66,329 | 254,172 |
| Accrued payroll | 50,741 | 7,758 | 58,499 |
| Accrued compensated leave and other accrued expenses | 147,674 | 119,482 | 267,156 |
| Current maturities of bonds payable | - | 45,000 | 45,000 |
| Current maturities of notes payable | - | 62,851 | 62,851 |
| Current maturities of lease payable | - | 60,000 | 60,000 |
| Total current liabilities | <u>386,258</u> | <u>361,420</u> | <u>747,678</u> |
| Noncurrent liabilities: | | | |
| Accrued compensated leave | 2,301 | - | 2,301 |
| Pension obligations | 5,055,765 | 1,117,012 | 6,172,777 |
| Other post-employment benefit obligations | 1,570,928 | 351,561 | 1,922,489 |
| Bond payable | - | 372,935 | 372,935 |
| Lease payable | - | - | - |
| Notes payable | - | 1,059,564 | 1,059,564 |
| Unearned revenues | 300 | - | 300 |
| Total non-current liabilities | <u>6,629,294</u> | <u>2,901,072</u> | <u>9,530,366</u> |
| Total Liabilities | <u>7,015,552</u> | <u>3,262,492</u> | <u>10,278,044</u> |
| Deferred Inflows of Resources | | | |
| Deferred pension related inflows | 28,937 | 2,575 | 31,512 |
| Deferred other post-employment benefits inflows | <u>235,893</u> | <u>63,553</u> | <u>299,446</u> |
| Total deferred inflows of resources | <u>264,830</u> | <u>66,128</u> | <u>330,958</u> |
| NET POSITION | | | |
| Net invested in capital assets | 18,962,479 | 12,225,419 | 31,187,898 |
| Restricted for: | | | |
| Special revenue | 234,201 | - | 234,201 |
| Capital projects | - | 73,388 | 73,388 |
| Debt service | - | 54,243 | 54,243 |
| Unrestricted | <u>3,090,551</u> | <u>(605,406)</u> | <u>2,485,145</u> |
| TOTAL NET POSITION | <u><u>\$ 22,287,231</u></u> | <u><u>\$ 11,747,644</u></u> | <u><u>\$ 34,034,875</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Statement of Activities
For the Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,626,860 | \$ - | \$ - | \$ 56,399 | \$ (1,570,461) | \$ - | \$ (1,570,461) |
| Public safety | 1,780,993 | - | 51,843 | - | (1,729,150) | - | (1,729,150) |
| Sanitation | 325,883 | 109,754 | - | - | (216,129) | - | (216,129) |
| Highways and streets | 1,075,320 | - | - | - | (1,075,320) | - | (1,075,320) |
| Parks and recreation | 551,502 | 9,685 | - | - | (541,817) | - | (541,817) |
| Airport | 75,446 | 8,700 | - | 2,292,919 | 2,226,173 | - | 2,226,173 |
| Total governmental activities | 5,436,004 | 128,139 | 51,843 | 2,349,318 | (2,906,704) | - | (2,906,704) |
| Business-type activities: | | | | | | | |
| Public water and sewer | 2,293,679 | 2,109,240 | - | 7,350 | - | (177,089) | (177,089) |
| Total primary activities | <u>\$ 7,729,683</u> | <u>\$ 2,237,379</u> | <u>\$ 51,843</u> | <u>\$ 2,356,668</u> | <u>(2,906,704)</u> | <u>(177,089)</u> | <u>(3,083,793)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 1,220,112 | - | 1,220,112 |
| Taxes, levied for bank deposits | | | | | 23,182 | - | 23,182 |
| Personal property | | | | | 108,860 | - | 108,860 |
| Omitted tangibles | | | | | 29,570 | - | 29,570 |
| Payments in lieu of taxes | | | | | 8,493 | - | 8,493 |
| Payroll taxes | | | | | 1,453,007 | - | 1,453,007 |
| Insurance premiums tax | | | | | 1,315,260 | - | 1,315,260 |
| Franchise taxes | | | | | 86,911 | - | 86,911 |
| License, permits and fees | | | | | 480,088 | - | 480,088 |
| Intergovernmental | | | | | 47,285 | - | 47,285 |
| Miscellaneous | | | | | 29,111 | 34,186 | 63,297 |
| Interest and investment earnings | | | | | 22,807 | 2,652 | 25,459 |
| Transfers | | | | | (175,000) | 175,000 | - |
| Total general revenues, special items, and transfers | | | | | 4,649,686 | 211,838 | 4,861,524 |
| Change in net position | | | | | 1,742,982 | 34,749 | 1,777,731 |
| Net position - beginning | | | | | 20,544,249 | 11,712,895 | 32,257,144 |
| Net position - ending | | | | | <u>\$ 22,287,231</u> | <u>\$ 11,747,644</u> | <u>\$ 34,034,875</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Governmental Funds
June 30, 2021

| | | | <u>Special Revenue Funds</u> | | |
|---|---------------------|--------------------------|------------------------------|-------------------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Construction Fund</u> | <u>Municipal Aid Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
| ASSETS | | | | | |
| Cash | \$ 5,592,261 | \$ 1,186,117 | \$ - | \$ - | \$ 6,778,378 |
| Cash - restricted | - | - | 203,673 | 30,528 | 234,201 |
| Receivables | | | | | |
| Property and franchise tax | 22,533 | - | - | - | 22,533 |
| Payroll and insurance tax | 590,425 | - | - | - | 590,425 |
| Grants and other | - | 454,955 | - | - | 454,955 |
| Other | 1,903 | - | - | - | 1,903 |
| Due from other funds | 504,109 | - | - | - | 504,109 |
| Investments | 255,336 | - | - | - | 255,336 |
| Prepaid expenses | 62,626 | - | - | - | 62,626 |
| Restricted membership and security deposits | 475 | - | - | - | 475 |
| Total assets | <u>\$ 7,029,668</u> | <u>\$ 1,641,072</u> | <u>\$ 203,673</u> | <u>\$ 30,528</u> | <u>\$ 8,904,941</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 47,428 | \$ 140,415 | \$ - | \$ - | \$ 187,843 |
| Unearned revenues | 300 | - | - | - | 300 |
| Due to other funds | 5,275 | - | - | - | 5,275 |
| Other accrued expenses | 59,581 | - | - | - | 59,581 |
| Accrued payroll | 50,741 | - | - | - | 50,741 |
| Total liabilities | <u>163,325</u> | <u>140,415</u> | <u>-</u> | <u>-</u> | <u>303,740</u> |
| Fund balances: | | | | | |
| Nonspendable | 63,101 | - | - | - | 63,101 |
| Restricted | - | - | 203,673 | 30,528 | 234,201 |
| Committed | - | 1,500,657 | - | - | 1,500,657 |
| Assigned | 697,600 | - | - | - | 697,600 |
| Unassigned | 6,105,642 | - | - | - | 6,105,642 |
| Total fund balances | <u>6,866,343</u> | <u>1,500,657</u> | <u>203,673</u> | <u>30,528</u> | <u>8,601,201</u> |
| Total liabilities and fund balances | <u>\$ 7,029,668</u> | <u>\$ 1,641,072</u> | <u>\$ 203,673</u> | <u>\$ 30,528</u> | |

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

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 18,962,479 |
| Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds. | (90,395) |
| Pension obligations and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds. | (4,073,573) |
| OPEB obligations and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds. | (1,112,481) |
| Net position of governmental activities | <u>\$ 22,287,231</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| | | | Special Revenue Funds | | |
|---|---------------------|--------------------------|------------------------------|-------------------------------------|---------------------------------|
| | General Fund | Construction Fund | Municipal Aid Fund | Non-Major Governmental Funds | Total Governmental Funds |
| REVENUES | | | | | |
| Taxes | \$ 4,245,394 | \$ - | \$ - | \$ - | \$ 4,245,394 |
| Licenses and permits | 480,088 | - | - | - | 480,088 |
| Intergovernmental | - | - | 47,285 | - | 47,285 |
| Charges for services | 128,139 | - | - | - | 128,139 |
| Fines and forfeitures | 3,364 | - | - | - | 3,364 |
| Grants | 108,242 | 2,292,919 | - | - | 2,401,161 |
| Interest | 22,257 | - | 474 | 76 | 22,807 |
| Other | 51,612 | - | - | - | 51,612 |
| Total revenues | <u>5,039,096</u> | <u>2,292,919</u> | <u>47,759</u> | <u>76</u> | <u>7,379,850</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,151,016 | - | - | - | 1,151,016 |
| Public safety | 1,286,904 | - | - | - | 1,286,904 |
| Sanitation | 298,060 | - | - | - | 298,060 |
| Highways and streets | 809,749 | - | - | - | 809,749 |
| Parks and recreation | 435,501 | - | - | - | 435,501 |
| Airport | 107,823 | - | - | - | 107,823 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Capital outlay | - | 3,750,671 | - | - | 3,750,671 |
| Total expenditures | <u>4,089,053</u> | <u>3,750,671</u> | <u>-</u> | <u>-</u> | <u>7,839,724</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>950,043</u> | <u>(1,457,752)</u> | <u>47,759</u> | <u>76</u> | <u>(459,874)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from long-term debt | - | | | | - |
| Proceeds from sale of capital assets | | | | | - |
| Transfers in | - | 386,516 | - | - | 386,516 |
| Transfers out | (561,516) | - | - | - | (561,516) |
| Total other financing sources (uses) | <u>(561,516)</u> | <u>386,516</u> | <u>-</u> | <u>-</u> | <u>(175,000)</u> |
| Net change in fund balances | 388,527 | (1,071,236) | 47,759 | 76 | (634,874) |
| Fund balances - beginning | <u>6,477,816</u> | <u>2,571,893</u> | <u>155,914</u> | <u>30,452</u> | <u>9,236,075</u> |
| Fund balances - ending | <u>\$ 6,866,343</u> | <u>\$ 1,500,657</u> | <u>\$ 203,673</u> | <u>\$ 30,528</u> | <u>\$ 8,601,201</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds | \$ (634,874) |
| Amounts reported for <i>governmental 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 as depreciation expense. This is the amount by which net capital outlay of \$3,916,506 exceeded depreciation of \$783,585 in the current period. | 3,132,921 |
| Only the loss on the disposal of capital assets is reported in the Statement of Activities, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs by the net book value of capital assets disposed. | (25,866) |
| 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. | 11,739 |
| Payments of pension contributions require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds. However, pension expense in the government-wide statements are reported based on the actuarial study. This amount is the difference in the treatment of pension expense. | (593,190) |
| Payments of OPEB contributions require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds. However, OPEB expense in the government-wide statements are reported based on the actuarial study. This amount is the difference in the treatment of OPEB expense. | (147,748) |
| Change in net position of governmental activities | <u><u>\$ 1,742,982</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021

ASSETS

Current Assets

| | |
|-----------------------------------|------------------|
| Cash | \$ 1,017,074 |
| Accounts receivable - customers | 338,736 |
| Other receivable | 5,614 |
| Due from the City of Calvert City | 5,275 |
| Prepaid expenses | 15,162 |
| Utility deposits | 1,834 |
| Total Current Assets | <u>1,383,695</u> |

Noncurrent Assets

| | |
|--|-------------------|
| Capital assets, not being depreciated | 1,969,745 |
| Capital assets, being depreciated, net | 11,856,024 |
| Total Noncurrent Assets | <u>13,825,769</u> |

Total Assets

15,209,464

Deferred Outflows of Resources:

| | |
|--|----------------|
| Deferred pension related outflows | 202,273 |
| Deferred other post-employment benefits outflows | 168,636 |
| Total deferred outflows of resources | <u>370,909</u> |

LIABILITIES

Current Liabilities

| | |
|-------------------------------------|----------------|
| Accounts payable | 66,329 |
| Accrued wages | 7,758 |
| Accrued interest | 10,137 |
| Other accrued expenses | 61,354 |
| Due to the City of Calvert City | 504,109 |
| Current maturities of bond payable | 45,000 |
| Current maturities of notes payable | 62,851 |
| Current maturities of lease payable | 60,000 |
| Customer deposits | 47,991 |
| Total Current Liabilities | <u>865,529</u> |

Non-Current Liabilities

| | |
|---|------------------|
| Accrued compensated leave | - |
| Pension obligations | 1,117,012 |
| Other post-employment benefit obligations | 351,561 |
| Bond payable | 372,935 |
| Notes payable | 1,059,564 |
| Lease payable | - |
| Total Noncurrent Liabilities | <u>2,901,072</u> |

Total Liabilities

3,766,601

Deferred Inflows of Resources

| | |
|---|---------------|
| Deferred pension related inflows | 2,575 |
| Deferred other post-employment benefits inflows | 63,553 |
| Total deferred inflows of resources | <u>66,128</u> |

NET POSITION

| | |
|--------------------------------|------------|
| Net invested in capital assets | 12,225,419 |
| Restricted for: | |
| Capital projects | 73,388 |
| Debt service | 54,243 |
| Unrestricted - net position | (605,406) |

TOTAL NET POSITION

\$ 11,747,644

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021

Operating Revenues

| | |
|---------------------------------|------------------|
| Water and sewer usage fees, net | \$ 2,095,154 |
| Hydrant fees | 100 |
| Disconnect fees | 3,255 |
| Customer penalties | 10,731 |
| | <u>2,109,240</u> |

Operating Expenses

| | |
|---------------------------|------------------|
| Salaries and wages | 454,274 |
| Payroll taxes | 33,804 |
| Employee benefits | 323,960 |
| Contractual services | 163,814 |
| Audit and legal | 26,600 |
| Operating supplies | 99,181 |
| Training | 1,380 |
| Utilities | 213,006 |
| Communications | 17,526 |
| Maintenance | 203,036 |
| Insurance | 47,007 |
| Transportation and travel | 17,470 |
| Office supplies | 9,832 |
| Miscellaneous | 63,535 |
| Bad debts | 10,956 |
| Depreciation | 562,971 |
| | <u>2,248,352</u> |

Operating income

(139,112)

Non-operating Revenues (Expenses)

| | |
|---------------------------------------|----------------|
| Interest expense | (41,654) |
| Service fees | (3,673) |
| Interest income | 2,652 |
| Miscellaneous revenue (expense) | 30,136 |
| Rental income | 4,050 |
| Total nonoperating revenue (expenses) | <u>(8,489)</u> |

Income before Contributions and Transfers

(147,601)

| | |
|--|----------------|
| Contributions - tap-on and assessment fees | 7,350 |
| Transfers from the City of Calvert City | 175,000 |
| Total transfers in (out) | <u>182,350</u> |

Changes in net position

34,749

Total net position - beginning

11,712,895

Total net position - ending

\$ 11,747,644

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

CASH FLOW FROM OPERATING ACTIVITIES

| | |
|----------------------------|---------------|
| Collections from customers | \$ 2,021,729 |
| Cash paid to suppliers | (869,154) |
| Cash paid to employees | (726,965) |
| Other receipts | <u>34,184</u> |

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

459,794

**CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

| | |
|---|-----------------|
| Capital expenditures | (1,072,738) |
| Contributed capital and transfers | 75,021 |
| Advances from the City of Calvert | 182,350 |
| Proceeds from debt issues | 429,963 |
| Principal payments on notes and bonds | (61,243) |
| Principal payments on capital lease | (120,000) |
| Interest payments on notes, bonds, and capital leases | <u>(41,654)</u> |

**NET CASH USED IN CAPITAL AND
RELATED FINANCING ACTIVITIES**

(608,301)

CASH FLOW FROM INVESTING ACTIVITIES

| | |
|-----------------|--------------|
| Interest income | <u>2,652</u> |
|-----------------|--------------|

**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

2,652

**NET INCREASE IN CASH AND CASH
NET INCREASE IN CASH**

(145,855)

CASH, BEGINNING OF YEAR

1,162,929

CASH, END OF YEAR

\$ 1,017,074

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES:**

| | |
|--|----------------------------|
| Acquisition of equipment and improvements | \$ 1,086,261 |
| Amount financed with prior year trade payables | <u>(13,523)</u> |
| Net cash paid for equipment and improvements | <u><u>\$ 1,072,738</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | |
|--|--------------------------|
| Operating income | \$ (139,112) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 562,971 |
| Non-operating revenues and expenses | 30,513 |
| Change in assets and liabilities: | |
| Accounts receivable | (87,511) |
| Other receivables | - |
| Other current assets | 5,996 |
| Accounts payable | (17,757) |
| Accrued interest and fees payable | 5,948 |
| Customer deposits | 13,675 |
| Pension obligation and related deferrals | 82,376 |
| Other current liabilities | 2,695 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 459,794</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Calvert City, Kentucky complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2021.

Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The basic financial statements include a blended component unit. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Unit – The Calvert City Municipal Water and Sewer System "The System" serves all the citizens of the government and is governed by a board appointed by the Mayor of the City of Calvert City. The rates for user charges and debt issue authorizations are approved by the City of Calvert City's Council and the legal liability for general obligation debt of Calvert City Municipal Water and Sewer System remains with the City of Calvert City. The Calvert City Municipal Water and Sewer System is reported as a proprietary fund. Stand alone financial statements of the Calvert City Municipal Water and Sewer System can be obtained at City Hall, Calvert City, Kentucky.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information about the City as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual proprietary fund are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The City reports unearned revenue on its government-wide statement of net position and on the fund financial statements. Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises when the City receives resources before it has a legal claim on them, as when grant funds are received prior to incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the City’s practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Types and Major Funds

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City’s major governmental funds are the General Fund, Construction Fund and Municipal Aid Fund. The following funds are used in the financial statements:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Construction Fund – The Construction Fund is used to account for the activities related to major capital projects of the City.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *Municipal Aid Fund* is used to account for state aid for streets and road improvements.

Proprietary Funds

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Municipal Water and Sewer System are charges for water and sewer service. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

The City Council updated and adopted formal deposit and investment policies in December 1994. These policies apply to all City and component unit funds not contained in public trusts.

For the purpose of the Statement of Net Position, "cash" includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash" includes all restricted and unrestricted demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits and certificates of deposits are reported at carrying amount which reasonably estimates fair value. Additional cash and investment disclosures are presented in Note B.

Governmental Fund Receivables

Receivables consist of various grants and taxes net of allowances for doubtful accounts. All property taxes are due and payable on February 1st, and all taxes not paid by March 1st, are deemed delinquent. There will be a penalty of six percent added to the balance due at this time. Taxes are normally levied by November 1st. Property tax liens will be filed for all delinquent taxes unpaid at December 31st. City property taxes are recognized when levied to the extent that they result in current receivables.

Governmental funds report receivables for revenues that are considered available to liquidate liabilities of the current period while in the Statement of Net Position; receivables are reported as revenues when earned.

Proprietary Fund Accounts Receivable and Bad Debts

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 15 days from the invoice mailing date. Unpaid accounts receivable with invoice mailing dates over 15 days old are subject to a 15% penalty on the outstanding balance. Customers are subject to disconnection after 30 days past invoice mailing date. Reconnections are subject to collect and reconnect fees. Due to the uncertainty regarding collecting, reconnect fees are recognized as income when received.

Accounts receivable are stated at amounts billed to the customer plus any accrued penalties. Customer account balances with invoices over 30 days old are considered delinquent.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoice.

No allowance for doubtful accounts has been provided since it is believed the balance in accounts receivable is fully collectible. Customer accounts are written off after one year. The effect of using this method is not significantly different from results which would be obtained by using the allowance method.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Interfund transactions are reflected as either services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation, and are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Restricted Net Position

Certain special revenue funds and proprietary fund assets are restricted for special purpose or construction and are funded through enabling legislation or because of constraints that are externally imposed by creditors and grantors. Restricted assets are reported in various funds for cash deposited in bank accounts restricted for specified uses. Any required transfers to these funds have been made.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

In the government-wide financial statements, and the proprietary fund financial statements, all capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets donated are recorded at their fair market values at the date received. Depreciation is provided by the straight-line method over the estimated useful lives of the various classes of assets as follows:

| <u>Government Funds</u> | | <u>Proprietary Funds</u> | |
|--------------------------------------|--------------|--------------------------|--------------|
| | <u>Years</u> | | <u>Years</u> |
| Buildings | 25-50 | Water and sewer plant | 10-40 |
| Building improvements | 10-25 | Equipment | 5-10 |
| General equipment & furnishings | 5-25 | Vehicles | 5 |
| Vehicles | 5-10 | | |
| Infrastructure and land improvements | 12-50 | | |

Compensated Absences

The City’s policy permits employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is earned based on years of credited service. Vacation leave accrues annually on January 1st and City policy requires use by the end of the calendar year. Sick leave for vested employees (minimum of six months service before becoming eligible) is earned on the basis of ½ day per month. Employees may accumulate a maximum of sixty days. Upon retirement, sick days accumulated shall have a cash value equal to 50% of their current wage and vacation days accumulated shall have a cash value equal to 100% of their current wage. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement. As of June 30, 2021, the liability for accrued vacation and sick leave was \$90,394 for the City of Calvert City and \$31,462 for the Calvert City Municipal Water and Sewer System.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

The City fund balance reserves are reported under the requirements of GASB Statement 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, which defines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form (such as prepaid) or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances includes amounts that can only be used for specific purposes (such as future construction projects) pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, which, for the City is the City Council. The City Council must approve by majority vote the establishment (and modification or rescinding) of fund balance commitments.

Assigned fund balances are those amounts that are constrained by the government’s intent to be used for specific purpose but are neither restricted nor committed. Assigned fund balance also includes 1) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and 2) amounts in the general fund that are intended to be used for a specific purpose (such as Cemetery, Fire Vehicles and Equipment, DARE, City Beautification).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Use of Estimates

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

Deferred Outflows/Inflows of Resources

Government-wide Statement

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in the category deferred pension and other post-employment benefits (OPEB) related outflows reported in the statements of net position.

The deferred pension and OPEB outflows result from pension and OPEB contributions subsequent to the measurement date of the pension and OPEB plans and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items reported in this category deferred pension and OPEB related inflows. The various changes resulting from actuarial pension measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

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

1. Prior to July 1, the Mayor submits to the City Council a proposed operating budget covering the General Fund and each of the City's Special Revenue Funds for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the City to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with U.S. GAAP.

Excess of Expenditures Over Appropriation

There are no funds of the City that currently have a deficit fund balance.

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. Deposits are 100% secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or City Clerk.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2021, the City's cash was in demand deposits. At year end, the carrying amount and the bank balance of the City's cash was \$7,267,916 and \$7,796,681, respectively.

Deposits of the City's proprietary fund are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2021, the proprietary fund's cash was in demand deposits. At year end, the carrying amount, including restricted cash, and the bank balance of the proprietary fund's cash was \$1,017,074 and \$1,018,502, respectively.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's City Clerk. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes. In accordance with the City's investment policy and the State Statutes, the City may invest funds temporarily in excess of operating needs in the following:

1. Obligations of the U.S. Treasury, agencies, and instrumentalities, including obligations subject to repurchase agreements, provided delivery of obligations subject to repurchase agreements are held by the City or through an authorized agent;
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
3. Obligations of any corporation of the United States government;
4. Bonds or certificates of indebtedness of the state of Kentucky and of its agencies and instrumentalities;

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (Continued)

Investment Policies (Continued)

5. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes;
6. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a national recognized rating agency.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

For the year ended June 30, 2021, the City's only investment was a certificate of deposit for \$255,336 maturing March 10, 2022 with a fair value hierarchy of Level 2.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City policy provides that to the extent feasible, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. With the exception of fully collateralized investments and authorized investment pools, no more than 15% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. Unless matched to a specific cash flow, investments are not, in general, made in securities maturing more than five years from the date of purchase. Surplus cash may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as feasible with the expected use of the investment.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy limits total cumulative investments at any one time in categories 6, 7, and 8 listed previously not to exceed 20% of the total amount of funds invested. In addition, the policy does not permit purchases on a margin basis or through the use of any similar leveraging technique.

NOTE C – RECEIVABLES

Receivables, net of reserve, as of June 30, 2021 consist of the following:

| <u>Description</u> | <u>Statement of Net Position</u> | <u>Governmental Funds</u> |
|-----------------------------|--------------------------------------|-------------------------------|
| Taxes: | | |
| Franchise (general fund) | \$ 1,899 | \$ 1,899 |
| Payroll (general fund) | 358,185 | 358,185 |
| Insurance (general fund) | 232,240 | 232,240 |
| Bank Deposit (general fund) | 1,293 | 1,293 |
| Property (general fund) | 20,634 | 20,634 |
| Grants | 454,955 | 454,955 |
| Other (general fund) | 609 | 609 |
| Total | <u>\$ 1,069,815</u> | <u>\$ 1,069,815</u> |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE C – RECEIVABLES (Continued)

Due to the uncertainty of collection of property taxes, an allowance for doubtful accounts has been provided. The reserve amount for the year ended June 30, 2021 was \$86,012.

Due to the uncertainty of collection of franchise taxes, an allowance for doubtful accounts equal to the estimate of material delinquent accounts has been provided. The reserve amount for the year ended June 30, 2021 was \$1,547.

NOTE D – DUE TO/FROM BALANCES

During the fiscal year ending June 30, 2020, the City approved advances up to \$1,000,000 to the System for improvements. During the year ended June 30, 2021, the System received advances of \$115,021. These advances are non-interest bearing and the System reimburses the City \$5,000 per month beginning in October of 2020. Total advance outstanding as of June 30, 2021 was \$489,835.

The summary of due to/from other funds as of June 30, 2021 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------|--------------------------------|---------------|
| General Fund | Municipal Water & Sewer System | \$ 504,109 |
| Municipal Water & Sewer System | General Fund | \$ 5,275 |

NOTE E – CAPITAL ASSETS

A summary of the capital asset activity for the fiscal year ended at June 30, 2021, was as follows:

| <u>Governmental Funds</u> | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Transfers</u> | <u>Deductions</u> | <u>Balance June 30, 2021</u> |
|---|---------------------------------|---------------------|------------------|-------------------|----------------------------------|
| <u>Capital assets, not being depreciated:</u> | | | | | |
| Land | \$ 4,923,442 | \$ 29,104 | \$ - | \$ - | \$ 4,952,546 |
| Construction in Progress | <u>1,830,931</u> | <u>2,656,720</u> | <u>-</u> | <u>-</u> | <u>4,487,651</u> |
| Total capital assets, not being depreciated: | <u>6,754,373</u> | <u>2,685,824</u> | <u>-</u> | <u>-</u> | <u>9,440,197</u> |
| <u>Capital assets, being depreciated:</u> | | | | | |
| Infrastructure and improvements | 14,330,686 | 217,872 | - | 32,297 | 14,516,261 |
| Buildings | 2,217,295 | - | - | 31,201 | 2,186,094 |
| Building improvements | 774,861 | 366,896 | - | 10,721 | 1,131,036 |
| Vehicles | 2,268,195 | 50,077 | - | 447,748 | 1,870,524 |
| General equipment and furnishings | <u>2,726,576</u> | <u>595,837</u> | <u>-</u> | <u>441,046</u> | <u>2,881,367</u> |
| Totals at historical cost | <u>22,317,613</u> | <u>1,230,682</u> | <u>-</u> | <u>963,013</u> | <u>22,585,282</u> |
| Less: Accumulated depreciation | | | | | |
| 870 Infrastructure and improvements | 7,797,274 | 451,465 | - | 32,297 | 8,216,442 |
| Buildings | 1,209,607 | 49,618 | - | 17,549 | 1,241,676 |
| Building improvements | 348,677 | 33,647 | - | 4,662 | 377,662 |
| Vehicles | 1,925,490 | 102,627 | - | 443,355 | 1,584,762 |
| General equipment and furnishings | <u>1,935,514</u> | <u>146,228</u> | <u>-</u> | <u>439,284</u> | <u>1,642,458</u> |
| Total accumulated depreciation | <u>13,216,562</u> | <u>783,585</u> | <u>-</u> | <u>937,147</u> | <u>13,063,000</u> |
| Total capital assets, being depreciated, net: | <u>9,101,051</u> | <u>447,097</u> | <u>-</u> | <u>25,866</u> | <u>9,522,282</u> |
| Primary Government Activities | | | | | |
| Capital Assets – Net | <u>\$ 15,855,424</u> | <u>\$ 3,132,921</u> | <u>\$ -</u> | <u>\$ 25,866</u> | <u>\$ 18,962,479</u> |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE E – CAPITAL ASSETS (Continued)

| <u>Proprietary Fund</u> | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2021</u> |
|---|---------------------------------|---------------------|-------------------|----------------------------------|
| <u>Capital assets, not being depreciated:</u> | | | | |
| Land | \$ 282,886 | \$ - | \$ - | \$ 282,886 |
| Construction in Progress | <u>1,354,175</u> | <u>960,903</u> | <u>628,219</u> | <u>1,686,859</u> |
| Total capital assets, not being depreciated: | <u>1,637,061</u> | <u>960,903</u> | <u>628,219</u> | <u>1,969,745</u> |
| <u>Capital assets, being depreciated:</u> | | | | |
| Water and sewer system | 21,011,738 | 585,336 | - | 21,597,074 |
| Vehicles | 324,443 | 97,776 | 17,200 | 405,019 |
| Equipment | <u>479,823</u> | <u>70,465</u> | <u>3,570</u> | <u>546,718</u> |
| Totals at historical cost | <u>21,816,004</u> | <u>753,577</u> | <u>20,770</u> | <u>22,548,811</u> |
| Less: Accumulated depreciation | | | | |
| Water and sewer system | 9,572,655 | 497,252 | - | 10,069,907 |
| Vehicles | 262,506 | 35,997 | 17,200 | 281,303 |
| Equipment | <u>315,425</u> | <u>29,722</u> | <u>3,570</u> | <u>341,577</u> |
| Total accumulated depreciation | <u>10,150,586</u> | <u>562,971</u> | <u>20,770</u> | <u>10,692,787</u> |
| Total capital assets, being depreciated, net: | <u>11,665,418</u> | <u>190,606</u> | <u>-</u> | <u>11,856,024</u> |
| Component Unit Activities | | | | |
| Capital Assets – Net | <u>\$ 13,302,479</u> | <u>\$ 1,151,509</u> | <u>\$ 628,219</u> | <u>\$ 13,825,769</u> |

Depreciation expense, by function, was as follows:

| | |
|------------------------|-------------------|
| General government | \$ 152,970 |
| Public Safety | 133,762 |
| Sanitation | 27,823 |
| Parks and recreation | 155,126 |
| Highways and streets | 311,119 |
| Airport | <u>2,785</u> |
| | <u>\$ 783,585</u> |
| Water and Sewer System | <u>\$ 562,971</u> |

NOTE F – CONSTRUCTION IN PROGRESS

The City of Calvert City had the following capital projects in process at June 30, 2021:

| | |
|------------------------------------|---|
| | <u>Cumulative Costs Incurred</u> |
| Shar-Cal Road upgrade | \$ 4,375 |
| Multi-Use Walking Trail | 1,317,578 |
| Airport – Fuel Tanks | 707,540 |
| Airport – Leasehold Improvements | 22,404 |
| Airport – T Hangers | 1,330,854 |
| Airport – Runway Overlay | 900,578 |
| Civic Center Remodel | 160,722 |
| Civic Center Remodel – Parking Lot | <u>43,600</u> |
| | <u>\$ 4,487,651</u> |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE F – CONSTRUCTION IN PROGRESS (Continued)

The Calvert City Municipal Water and Sewer System had the following capital projects in process at June 30, 2021:

| | <u>Cumulative Costs Incurred</u> |
|--------------------------------------|---|
| Water Plant | \$ 116,791 |
| Sludge Removal - Sewer | 706,000 |
| Sanitary Sewer – Phase IV Assessment | 59,000 |
| Well #6 | 143,466 |
| Meter Replacement Program | 376,660 |
| Waste Water Treatment Plant | 188,745 |
| Trimac Lift Station Rehab | 70,327 |
| Other Projects | <u>25,870</u> |
| | <u>\$ 1,686,859</u> |

Completion of these projects is based upon the availability of additional resources.

NOTE G - LONG-TERM DEBT

Proprietary Funds

The City of Calvert City has entered into a capital lease agreement, on behalf of its blended component unit, with the Kentucky League of Cities Funding Trust for the construction of an above ground water storage facility. At the end of the lease term, title of the facility will pass to the Water & Sewer System. For the year ended June 30, 2021, amortization of \$40,286 related to the leased facility was included in depreciation.

Lease payable consists of the following:

| | |
|---|---------------|
| Kentucky League of Cities Funding Trust lease, dated January 30, 2002, with fixed interest rate of 4.68%, maturing October 30, 2021, collateralized by all taxable property of the City of Calvert City | \$ 60,000 |
| Less current maturities | <u>60,000</u> |
| | <u>\$ -</u> |

A detail schedule of the blended component unit's future lease and interest requirements is shown below:

| <u>Years Ending June 30,</u> | <u>Interest Rate</u> | <u>Interest and Service Fee</u> | <u>Principal</u> | <u>Total</u> |
|---|-----------------------------|--|-------------------------|---------------------|
| 2022 | 4.68% | <u>1,400</u> | <u>60,000</u> | <u>61,400</u> |
| | | <u>\$ 1,400</u> | <u>\$ 60,000</u> | <u>\$ 61,400</u> |

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2010. This agreement provides capital project funding utilizing a combination of both long-term borrowing and federal stimulus grants funds from the American Recovery and Reinvestment Act. The notes mature December 1, 2031 with semi-annual payments principal and interest accruing at 3.00%.

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

Notes payable consists of the following:

Kentucky Infrastructure Authority lease, dated February 1, 2010, with fixed interest rate of 3.00%, maturing June 30, 2031, collateralized by water and sewer system property.
Less current maturities

\$ 271,906
23,694
\$ 248,212

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2017. The notes mature December 1, 2037 with semi-annual payments principal and interest accruing at 2.75%.

Kentucky Infrastructure Authority lease, dated October 1, 2016, with fixed interest rate of 2.75%, maturing December 1, 2037, collateralized by water and sewer system property.
Less current maturities

\$ 399,557
19,432
\$ 380,125

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2019 in an amount of up to \$542,900. The loan will be repaid over a period not to exceed twenty years from the last draw of funds, with an interest at the rate of 2.00% per annum commencing with the first draw of funds. In August of 2020, the System made a final draw of \$12,028 for a total of \$470,288. The notes mature June 1, 2040 with semi-annual payments principal and interest accruing at 2.00%.

Kentucky Infrastructure Authority, dated December 1, 2018, with fixed interest rate of 2.00%, maturing June 1, 2040, collateralized by water and sewer system property.
Less current maturities

\$ 450,952
19,725
\$ 431,227

The detail schedule of future principal and interest requirements are as follows:

| <u>Years Ending June 30,</u> | <u>Interest Rate</u> | <u>Interest and Service Fee</u> | <u>Principal</u> | <u>Total</u> |
|----------------------------------|----------------------|-------------------------------------|---------------------|---------------------|
| 2022 | 2.00%-3.00% | 29,970 | 62,851 | 92,821 |
| 2023 | 2.00%-3.00% | 28,193 | 64,501 | 92,694 |
| 2024 | 2.00%-3.00% | 26,368 | 66,197 | 92,565 |
| 2025 | 2.00%-3.00% | 24,494 | 67,938 | 92,432 |
| 2026 | 2.00%-3.00% | 22,570 | 69,725 | 92,295 |
| 2027 – 2031 | 2.00%-3.00% | 82,109 | 377,183 | 459,292 |
| 2032 – 2036 | 2.00%-3.00% | 37,440 | 260,218 | 297,658 |
| 2037 - 2040 | 2.00%-3.00% | <u>6,799</u> | <u>153,802</u> | <u>160,601</u> |
| | | <u>\$ 257,943</u> | <u>\$ 1,122,415</u> | <u>\$ 1,380,358</u> |

Bonds payable consists of the following:

On October 20, 2020, the City, on behalf of the System, issued \$400,000 in Series 2020G revenue bonds with an interest rate of 2.25% with annual principal payments and semi-annual interest payments. The 2020G series bonds are required to be fully paid by July 1, 2025.

The total proceeds of the bond issue exceeded the par amount of the bond by \$17,935. This amount, included in the carrying amount in the statement of net position, is being amortized over the remaining life of the refunding debt as a component of interest expense.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE G - LONG-TERM DEBT (Continued)

The 2020G bond agreement requires the following monthly distribution from the revenue fund:

- First: One-sixth of the next semi-annual interest payment is to be transferred to the bond and interest redemption fund.
- Second: One-twelfth of the succeeding bond maturity is to be transferred to the bond and interest redemption fund.
- Third: Transfer to the operating and maintenance account funds sufficient to meet the current expenses not to exceed amount required to cover anticipated expenditures for a two-month period.
- Fourth: Within 60 days of fiscal year end, the balance of excess funds is to be transferred to a depreciation fund for extensions or to a sinking fund for purchase or redemption of outstanding bonds.

Bonds payable consists of the following:

| | |
|---|-------------------|
| Kentucky Rural Water Finance Corporation Public Projects Refundings and Improvement Revenue Bonds, dated October 20, 2020, with fixed interest rate of 2.25%, maturing June 1, 2025 | \$ 400,000 |
| Less current maturities | <u>45,000</u> |
| | <u>\$ 355,000</u> |

The detail schedule of future principal and interest requirements is as follows:

| <u>Years Ending June 30,</u> | <u>Interest Rate</u> | <u>Interest and Service Fee</u> | <u>Principal</u> | <u>Total</u> |
|----------------------------------|----------------------|-------------------------------------|-------------------|-------------------|
| 2022 | 2.25% | \$ 11,444 | \$ 45,000 | \$ 56,444 |
| 2023 | 2.25% | 7,281 | 85,000 | 92,281 |
| 2024 | 2.25% | 5,313 | 90,000 | 95,313 |
| 2025 | 2.25% | 3,288 | 90,000 | 93,288 |
| 2026 | 2.25% | <u>1,012</u> | <u>90,000</u> | <u>91,012</u> |
| | | <u>\$ 28,338</u> | <u>\$ 400,000</u> | <u>\$ 428,338</u> |

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE H – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|--------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Pension obligation | \$ 4,387,971 | \$ 978,539 | \$ (310,745) | \$ 5,055,765 | \$ - |
| OPEB obligation | 1,108,327 | 561,521 | (98,920) | 1,570,928 | - |
| Accumulated sick leave | <u>102,133</u> | <u>132,915</u> | <u>(144,654)</u> | <u>90,394</u> | <u>88,093</u> |
| Governmental activity Long-term liabilities | <u>\$ 5,598,431</u> | <u>\$1,672,975</u> | <u>\$ (554,319)</u> | <u>\$ 6,717,087</u> | <u>\$ 88,093</u> |
| Business-type activities: | | | | | |
| Notes Payable | \$ 1,171,630 | \$ 12,028 | \$ (61,243) | \$ 1,122,415 | \$ 62,851 |
| Capital leases | 180,000 | - | (120,000) | 60,000 | 60,000 |
| Bonds Payable | - | 400,000 | - | 400,000 | 45,000 |
| Bond premium | - | 17,935 | - | 17,935 | - |
| Pension obligations | 1,047,535 | 141,475 | (71,998) | 1,117,012 | - |
| OPEB obligations | 250,455 | 124,241 | (23,135) | 351,561 | - |
| Accumulated leave | <u>40,944</u> | <u>41,517</u> | <u>(50,999)</u> | <u>31,462</u> | <u>31,462</u> |
| Business-type activities Long-term liabilities | <u>\$ 2,690,564</u> | <u>\$ 737,196</u> | <u>\$ (327,375)</u> | <u>\$ 3,100,385</u> | <u>\$ 199,313</u> |

NOTE I – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

| | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2021</u> |
|--|---------------------------------|-------------------|---------------------|----------------------------------|
| Governmental Activities | | | | |
| Pensions | | | | |
| Deferred outflows of resources | | | | |
| <i>Deferred pension contributions</i> | \$ 310,745 | \$ 336,535 | \$ (310,745) | \$ 336,535 |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | 177,383 | 41,211 | - | 218,594 |
| <i>Differences between expected and actual experience</i> | 147,016 | 118,754 | (124,882) | 140,888 |
| <i>Change of assumptions</i> | 435,568 | - | (240,885) | 194,683 |
| <i>Difference between projected and actuarial earnings</i> | <u>-</u> | <u>239,402</u> | <u>(118,973)</u> | <u>120,429</u> |
| <i>Pension related deferred outflows</i> | <u>\$ 1,070,712</u> | <u>\$ 735,902</u> | <u>\$ (795,485)</u> | <u>\$ 1,011,129</u> |
| Deferred inflows of resources | | | | |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | \$ 86,626 | \$ - | \$ (57,689) | \$ 28,937 |
| <i>Difference between expected and actual experience</i> | 9,824 | - | (9,824) | - |
| <i>Difference between expected and actuarial earnings</i> | <u>66,676</u> | <u>-</u> | <u>(66,676)</u> | <u>-</u> |
| <i>Pension related deferred inflows</i> | <u>\$ 163,126</u> | <u>\$ -</u> | <u>\$ (134,189)</u> | <u>\$ 28,937</u> |

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE I – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

| | Balance July 1, 2020 | Additions ... | Reductions.... | Balance June 30, 2021 |
|--|-------------------------|-------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Other Post-employment Benefits (OPEB) | | | | |
| Deferred outflows of resources | | | | |
| <i>Deferred OPEB contributions</i> | \$ 98,920 | \$ 117,286 | \$ (98,920) | \$ 117,286 |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | 71,896 | 16,129 | - | 88,025 |
| <i>Differences between expected and actual experience</i> | - | 203,458 | (40,152) | 163,306 |
| <i>Change of assumptions</i> | 331,437 | 58,479 | (124,736) | 265,180 |
| <i>Difference between projected and actuarial earnings</i> | - | 117,011 | (56,468) | 60,543 |
| <i>OPEB related deferred outflows</i> | <u>\$ 502,253</u> | <u>\$ 512,363</u> | <u>\$ (320,276)</u> | <u>\$ 694,340</u> |
| Deferred inflows of resources | | | | |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | \$ 29,565 | \$ - | \$ (7,602) | \$ 21,963 |
| <i>Differences between expected and actual experience</i> | 270,494 | - | (58,123) | 212,371 |
| <i>Change of assumptions</i> | 2,146 | - | (587) | 1,559 |
| <i>Difference between projected and actuarial earnings</i> | 56,453 | - | (56,453) | - |
| <i>OPEB related deferred inflows</i> | <u>\$ 358,658</u> | <u>\$ -</u> | <u>\$ (122,765)</u> | <u>\$ 235,893</u> |
| Business-Type Activities | | | | |
| Pensions | | | | |
| <i>Deferred pension contributions</i> | \$ 71,998 | \$ 74,555 | \$ (71,998) | \$ 74,555 |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | 30,014 | - | (1,720) | 28,294 |
| <i>Differences between expected and actual experience</i> | 26,747 | 25,245 | (24,137) | 27,855 |
| <i>Change of assumptions</i> | 106,022 | - | (62,405) | 43,617 |
| <i>Difference between projected and actuarial earnings</i> | - | 56,130 | (28,178) | 27,952 |
| <i>Pension related deferred outflows</i> | <u>\$ 234,781</u> | <u>\$ 155,930</u> | <u>\$ (188,438)</u> | <u>\$ 202,273</u> |
| Deferred inflows of resources | | | | |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | \$ 10,902 | \$ - | \$ (8,327) | \$ 2,575 |
| <i>Difference between projected and actual experience</i> | 4,426 | - | (4,426) | - |
| <i>Difference between projected and actuarial earnings</i> | 16,887 | - | (16,887) | - |
| <i>Pension related deferred inflows</i> | <u>\$ 32,215</u> | <u>\$ -</u> | <u>\$ (29,640)</u> | <u>\$ 2,575</u> |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE I – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Business-Type Activities

Other Post-employment Benefits (OPEB)

| | | | | |
|--|-----------|----------------|-----------|-----------------|
| Deferred outflows of resources | | | | |
| <i>Deferred OPEB contributions</i> | \$ | 23,135 | \$ | 27,016 |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | | 9,939 | 107 | - |
| <i>Differences between expected and actual experience</i> | | - | 73,647 | (14,909) |
| <i>Change of assumptions</i> | | 74,112 | 8,768 | (21,729) |
| <i>Difference between projected and actuarial earnings</i> | | - | 22,061 | (10,376) |
| <i>OPEB related deferred outflows</i> | <u>\$</u> | <u>107,186</u> | <u>\$</u> | <u>131,599</u> |
| | | | <u>\$</u> | <u>(70,149)</u> |
| | | | | <u>\$</u> |
| | | | | <u>168,636</u> |
| Deferred inflows of resources | | | | |
| <i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i> | \$ | 5,990 | \$ | - |
| <i>Difference between expected and actual experience</i> | | 75,568 | - | (16,784) |
| <i>Change of assumptions</i> | | 496 | - | (124) |
| <i>Difference between projected and actuarial earnings</i> | | 11,124 | - | (11,124) |
| <i>OPEB related deferred inflows</i> | <u>\$</u> | <u>93,178</u> | <u>\$</u> | <u>-</u> |
| | | | <u>\$</u> | <u>(29,625)</u> |
| | | | | <u>\$</u> |
| | | | | <u>63,553</u> |

NOTE J – EMPLOYEE RETIREMENT SYSTEM

The City provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement System. Information regarding this plan is as follows:

County Employees' Retirement System

Plan description - The City is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided - 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, non-hazardous and hazardous employees are grouped into three tiers, based on hire date:

Non-hazardous members:

| | | |
|--------|----------------------|--|
| Tier 1 | Participation date | Prior to September 1, 2008 |
| | Unreduced retirement | 27 years of service or 65 years old |
| | Reduced retirement | Minimum 5 years of service and 55 years old Minimum 25 years of service and any age |
| Tier 2 | Participation date | September 1, 2008 to December 31, 2013 |
| | Unreduced retirement | Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 |
| | Reduced retirement | Minimum 10 years of service and 60 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 |
| | Reduced retirement | Not available |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

Hazardous members:

| | | |
|--------|----------------------|--|
| Tier 1 | Participation date | Prior to September 1, 2008 |
| | Unreduced retirement | 20 years of service and any age Minimum 5 years of service and 55 years old |
| | Reduced retirement | Minimum 15 years of service and 50 years old |
| Tier 2 | Participation date | September 1, 2008 to December 31, 2013 |
| | Unreduced retirement | Minimum 5 years of service and 60 years old 25 years of service and any age |
| | Reduced retirement | Minimum 15 years of service and 50 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | Minimum 5 years of service and 60 years old 25 years of service and any age |
| | Reduced retirement | Not available |

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' 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 either death after retirement or 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 non-service related disability benefits.

Plan Funding – State statute requires active members to contribute % of creditable compensation based on the tier:

| <u><i>Non-hazardous</i></u> | | <u><i>Hazardous</i></u> | |
|-----------------------------|-------------------------------------|-------------------------|-------------------------------------|
| | <u>Required Contribution</u> | | <u>Required Contribution</u> |
| Tier 1 | 5% | Tier 1 | 8% |
| Tier 2 | 5% plus 1% for insurance | Tier 2 | 8% plus 1% for insurance |
| Tier 3 | 5% plus 1% for insurance | Tier 3 | 8% plus 1% for insurance |

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 19.30% for non-hazardous employees and 30.06% for hazardous employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City was as follows:

| | |
|--|---------------------|
| City's non-hazardous proportionate share of the CERS net pension liability | \$ 3,735,096 |
| City's hazardous proportionate share of the CERS net pension liability | <u>2,437,681</u> |
| Total CERS net pension liability associated with the City | <u>\$ 6,172,777</u> |

The net pension liability for each plan 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 for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the City's non-hazardous proportion was 0.048698% and hazardous proportion was 0.080851%.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$1,076,621 related to CERS pension plans. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

| | <u>Non-hazardous</u> | | <u>Hazardous</u> | |
|---|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 93,141 | \$ - | \$ 75,602 | \$ - |
| Changes in assumptions | 145,849 | - | 92,451 | - |
| Net difference between projected and actual earnings on pension plan investments | 93,466 | - | 54,915 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 94,611 | 8,612 | 152,277 | 22,900 |
| City contributions subsequent to the measurement date | <u>260,473</u> | <u>-</u> | <u>150,617</u> | <u>-</u> |
| Total | <u>\$ 687,540</u> | <u>\$ 8,612</u> | <u>\$ 525,862</u> | <u>\$ 22,900</u> |

The City reported \$411,090 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions which will be recognized in pension expense as follows:

| | <u>Fiscal Year Ending June 30</u> | |
|------|-----------------------------------|------------------|
| | <u>Non-Hazardous</u> | <u>Hazardous</u> |
| 2022 | \$ 200,123 | \$ 152,862 |
| 2023 | \$ 133,074 | \$ 86,463 |
| 2024 | \$ 47,721 | \$ 72,409 |
| 2025 | \$ 37,537 | \$ 40,611 |

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

| | <u>Non-Hazardous</u> | <u>Hazardous</u> |
|--|----------------------|------------------|
| Inflation | 2.30% | 2.30% |
| Projected salary increases | 3.30%-11.55% | 3.05%-18.55% |
| Investment rate of return, net of investment expense & inflation | 6.25% | 6.25% |

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

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

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

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

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

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

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate - The following table presents the net pension liability of the City, calculated using the discount rates selected by the pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|------------------------|----------------------------------|------------------------|
| CERS | 5.25% | 6.25% | 7.25% |
| Non-hazardous' proportionate share of net pension liability | \$ 4,606,186 | \$ 3,735,096 | \$ 3,013,800 |
| Hazardous' proportionate share of net pension liability | \$ 3,012,626 | \$ 2,437,681 | \$ 1,968,373 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the CERS.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

CERS Medical Insurance Plan

Plan description – the City contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Systems (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The City participates in the County Employees Retirement System (CERS). CERS non-hazardous and hazardous employee plans are administered separately.

Benefits provided – the Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

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

Contributions – per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The City was required to contribute at actuarially determined rates of 4.76% of non-hazardous covered payroll and 9.52% of hazardous covered payroll for the fiscal years ended June 30, 2021.

At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's non-hazardous proportion was 0.048684% and hazardous proportion was 0.080826%.

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

| | |
|--|---------------------|
| City's non-hazardous proportionate share of the CERS medical insurance liability | \$ 1,175,571 |
| City's hazardous proportionate share of the CERS medical insurance liability | <u>746,918</u> |
| Total CERS medical insurance liability associated with the City | <u>\$ 1,922,489</u> |

For the year ended June 30, 2021, the City recognized non-hazardous and hazardous OPEB expense of \$162,653 and \$147,611, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Non-hazardous</u> | | <u>Hazardous</u> | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 196,413 | \$ 196,567 | \$ 25,631 | \$ 74,588 |
| Changes in assumptions | 204,480 | 1,243 | 121,851 | 688 |
| Net difference between projected and actual earnings on pension plan investments | 39,073 | - | 33,155 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 33,593 | 14,702 | 64,478 | 11,658 |
| City contributions subsequent to the measurement date | <u>93,092</u> | <u>-</u> | <u>51,210</u> | <u>-</u> |
| Total | <u>\$ 566,651</u> | <u>\$ 212,512</u> | <u>\$ 296,325</u> | <u>\$ 86,934</u> |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The City reported \$144,302 as deferred outflows of resources related to OPEB resulting from City non-hazardous and hazardous contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| | Fiscal Year Ending June 30 | |
|------|-----------------------------------|-------------------------|
| | <u>Non-Hazardous</u> | <u>Hazardous</u> |
| 2022 | \$ 67,881 | \$ 52,731 |
| 2023 | \$ 79,445 | \$ 25,296 |
| 2024 | \$ 57,286 | \$ 31,450 |
| 2025 | \$ 57,635 | \$ 31,625 |
| 2026 | \$ (1,201) | \$ 17,079 |

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

| | |
|-----------------------------|---|
| Investment rate of return | 6.25%, net of OPEB plan investment expense, including inflation. |
| Projected salary increases | 3.30%-11.55 |
| Inflation rate | 2.30% |
| Real Wage Growth | 2.00% |
| Wage Inflation | 2.00% |
| Healthcare cost trend rates | |
| Under 65 | 7.00% at January 1, 2020, decreasing to an ultimate rate of 4.05% over a period of 12 years |
| Ages 65 and Older | 5.00% at January 1, 2020 decreasing to an ultimate rate of 4.05% over a period of 10 years |
| Municipal Bond Index Rate | 2.45% |
| Discount Rate | 5.34% |

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

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

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| US Equity | 18.75% | 4.50% |
| Non-US Equity | 18.75% | 5.25% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 3.90% |
| Core Bonds | 13.50% | (0.25)% |
| Real Estate | 5.00% | 5.30% |
| Opportunistic | 3.00% | 2.25% |
| Real Return | 15.00% | 3.95% |
| Cash | 1.00% | (0.75)% |
| Total | 100.0% | |

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

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------|--------------------|
| CERS | | | |
| Non-hazardous' proportionate share of net OPEB liability | \$ 1,510,263 | \$ 1,175,571 | \$ 900,676 |
| Hazardous' proportionate share of net OPEB liability | \$ 1,013,921 | \$ 746,918 | \$ 531,767 |

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------|--------------------|
| Non-hazardous' proportionate share of net OPEB liability | \$ 910,185 | \$ 1,175,571 | \$ 1,497,622 |
| Hazardous' proportionate share of net OPEB liability | \$ 533,769 | \$ 746,918 | \$ 1,008,965 |

NOTE L – DISCLOSURES REGARDING STATEMENT OF CASH FLOWS

Accounting Policy

For purposes of the Statement of Cash Flows, cash include all restricted and unrestricted highly liquid debt instruments with maturities of three months or less.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE L – DISCLOSURES REGARDING STATEMENT OF CASH FLOWS (Continued)

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense during the year ended June 30, 2021 was \$40,710.

NOTE M – CONCENTRATION OF CUSTOMERS

The Calvert City Municipal Water and Sewer System provide service to five significant commercial and industrial customers. These customers accounted for \$754,192 of total revenue for the year ended June 30, 2021. The City of Calvert receives approximately 57% of its payroll tax revenue from 8 industrial employers. Loss of these revenues would have a significant impact.

NOTE N – RISK MANAGEMENT

The City and the Calvert City Municipal Water & Sewer System are exposed to various risks of loss including, but not limited to property, casualty, general liability, auto liability, public officials' liability, employees' health and life, and workers compensation.

To limit exposure to these risks, the City and the Calvert City Municipal Water & Sewer System contracts for insurance coverage. During the year ended June 30, 2021, there were no significant reductions in insurance coverage. There have been no significant settlement amounts, if any, which exceed insurance coverage in the past two years. The City and Municipal System are not aware of any claims outstanding as of June 30, 2021.

NOTE O – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The City and Municipal System, on behalf of the City, receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities to ensure compliance with conditions surrounding the granting of funds. If the grantor's review indicates the funds have not been used for the intended purpose, the grantor may request refund of funds advanced or refuse to reimburse the City for its expenditures. Management does not consider the amount of such future refunds and unreimbursed expenditures, if any, to be significant. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are spent as intended and the grantor's intent to continue their programs.

NOTE P – INTERFUND TRANSFERS

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

Between Governmental and Business-Type Activities

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose</u> |
|----------------------|----------------------------------|---------------|--|
| General Fund | Municipal Water and Sewer System | \$ 175,000 | Debt service subsidy and capital project |

NOTE Q - RESTRICTED NET POSITION

The following is a summary of restricted net position at June 30, 2021:

| <u>Special Revenue Funds</u> | | <u>Proprietary Fund</u> | |
|------------------------------|-------------------|-------------------------|-------------------|
| Street improvements | \$ 203,673 | Capital projects | \$ 73,388 |
| Coal severance | 30,528 | Debt service | 54,243 |
| | <u>\$ 234,201</u> | | <u>\$ 127,631</u> |

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE R – TAX ABATEMENTS

The Kentucky Business Investment (KBI) Program, KRS 154.32 provides income tax credits and wage assessments to new and existing manufacturing companies, and non-retail service companies that locate or expand operations in Kentucky. The Program can be set to last up to 10 years. For the year ended June 30, 2021, the City did not rebate any employee local payroll taxes under this program.

NOTE S – SUBSEQUENT EVENTS

In July of 2021, the System's Board approved a contract for construction and renovation of the wastewater treatment plant. The estimated cost is \$3.2 million and will be financed with long-term debt. Management has evaluated subsequent events through March 11, 2022, the date which the financial statements were available to be issued.

Effect of COVID-19 Pandemic

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the City is likely to be determined by factors which are uncertain, unpredictable and outside of the control of the City. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | Total | Variance with |
|--|-------------------------|---------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| | | | | Over (Under) |
| REVENUES | | | | |
| Taxes | \$ 3,258,500 | \$ 4,166,500 | \$ 4,245,394 | \$ 78,894 |
| Licenses and permits | 239,000 | 409,000 | 480,088 | 71,088 |
| Charges for services | 125,000 | 126,000 | 128,139 | 2,139 |
| Fines and forfeitures | 1,200 | 2,000 | 3,364 | 1,364 |
| Grants | 37,980 | 41,800 | 108,242 | 66,442 |
| Interest | 20,100 | 20,100 | 22,257 | 2,157 |
| Other | 56,900 | 91,300 | 51,612 | (39,688) |
| Total revenues | <u>3,738,680</u> | <u>4,856,700</u> | <u>5,039,096</u> | <u>182,396</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,240,600 | 1,250,000 | 1,151,016 | (98,984) |
| Public safety | 1,296,751 | 1,209,000 | 1,286,904 | 77,904 |
| Sanitation | 342,125 | 315,000 | 298,060 | (16,940) |
| Highway and streets | 920,792 | 834,000 | 809,749 | (24,251) |
| Parks and Cemetery | 548,715 | 497,000 | 435,501 | (61,499) |
| Airport | 131,000 | 668,000 | 107,823 | (560,177) |
| Total expenditures | <u>4,479,983</u> | <u>4,773,000</u> | <u>4,089,053</u> | <u>(683,947)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(741,303)</u> | <u>83,700</u> | <u>950,043</u> | <u>866,343</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>(561,516)</u> | <u>(561,516)</u> | <u>(561,516)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(561,516)</u> | <u>(561,516)</u> | <u>(561,516)</u> | <u>-</u> |
| Net change in fund balances | (1,302,819) | (477,816) | 388,527 | 866,343 |
| Fund balances - beginning | <u>6,477,816</u> | <u>6,477,816</u> | <u>6,477,816</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 5,174,997</u> | <u>\$ 6,000,000</u> | <u>\$ 6,866,343</u> | <u>\$ 866,343</u> |

See auditors report on pages 1-2.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Municipal Aid Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | Total | Variance with |
|--|-------------------------|-------------------|-------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| | | | | Over (Under) |
| REVENUES | | | | |
| Intergovernmental | \$ 50,350 | \$ 47,700 | \$ 47,285 | \$ (415) |
| Interest | - | - | 474 | 474 |
| Other | - | - | - | - |
| Total revenues | <u>50,350</u> | <u>47,700</u> | <u>47,759</u> | <u>59</u> |
| EXPENDITURES | | | | |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>50,350</u> | <u>47,700</u> | <u>47,759</u> | <u>59</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 50,350 | 47,700 | 47,759 | 59 |
| Fund balances - beginning | <u>155,914</u> | <u>155,914</u> | <u>155,914</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 206,264</u> | <u>\$ 203,614</u> | <u>\$ 203,673</u> | <u>\$ 59</u> |

See auditors report on pages 1-2.

CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

| <u>Year Ended June 30</u> | <u>City's proportion of the net pension liability</u> | <u>City's proportionate share of the net pension liability (asset)</u> | <u>City's covered employee payroll</u> | <u>City's share of the net pension liability (asset) as a percentage of its covered employee payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|---------------------------------|---|--|--|--|---|
| <u>CERS Nonhazardous</u> | | | | | |
| 2021 | 0.0487% | \$ 3,735,096 | \$ 1,247,410 | 299.4281% | 47.8139% |
| 2020 | 0.0480% | \$ 3,372,486 | \$ 1,209,560 | 278.8192% | 50.4470% |
| 2019 | 0.0456% | \$ 2,776,083 | \$ 1,117,897 | 248.3308% | 53.5420% |
| 2018 | 0.0469% | \$ 2,746,840 | \$ 1,141,459 | 240.6429% | 53.3249% |
| 2017 | 0.0483% | \$ 2,377,955 | \$ 1,167,684 | 203.6471% | 55.5028% |
| 2016 | 0.0458% | \$ 1,970,629 | \$ 1,081,582 | 182.1988% | 59.9684% |
| 2015 | 0.0484% | \$ 1,571,402 | \$ 1,025,235 | 153.2724% | 66.8010% |
| 2014 | 0.0484% | \$ 1,778,089 | \$ 919,617 | 193.3510% | 66.2209% |
| <u>CERS Hazardous</u> | | | | | |
| 2021 | 0.0809% | \$ 2,437,681 | \$ 472,367 | 516.0566% | 44.1116% |
| 2020 | 0.0747% | \$ 2,063,020 | \$ 425,339 | 485.0296% | 46.6327% |
| 2019 | 0.0776% | \$ 1,876,577 | \$ 432,241 | 434.1506% | 49.2645% |
| 2018 | 0.0616% | \$ 1,378,589 | \$ 340,877 | 404.4242% | 49.7836% |
| 2017 | 0.0736% | \$ 1,263,479 | \$ 389,413 | 324.4573% | 53.9483% |
| 2016 | 0.0607% | \$ 931,646 | \$ 311,161 | 299.4096% | 57.5152% |
| 2015 | 0.0675% | \$ 811,232 | \$ 341,885 | 237.2821% | 63.4574% |
| 2014 | 0.0675% | \$ 905,936 | \$ 323,216 | 280.2881% | 65.7178% |

* The amounts presented were determined as of the plan's measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

**CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

| <u>Year Ended June 30</u> | <u>Contractually required contribution</u> | <u>Contributions relative to contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>City's covered employee payroll</u> | <u>Contributions as a percentage of covered employee payroll</u> |
|---------------------------------|--|--|---|--|--|
| <u>CERS Nonhazardous</u> | | | | | |
| 2021 | \$ 260,473 | \$ 260,473 | \$ - | \$ 1,349,596 | 19.3001% |
| 2020 | \$ 240,750 | \$ 240,750 | \$ - | \$ 1,247,410 | 19.3000% |
| 2019 | \$ 196,190 | \$ 196,190 | \$ - | \$ 1,209,560 | 16.2199% |
| 2018 | \$ 164,108 | \$ 164,108 | \$ - | \$ 1,117,897 | 14.6801% |
| 2017 | \$ 158,957 | \$ 158,957 | \$ - | \$ 1,141,459 | 13.9258% |
| 2016 | \$ 145,295 | \$ 145,295 | \$ - | \$ 1,167,684 | 12.4430% |
| 2015 | \$ 136,843 | \$ 136,843 | \$ - | \$ 1,081,582 | 12.6521% |
| 2014 | \$ 137,441 | \$ 137,441 | \$ - | \$ 1,025,235 | 13.4058% |
| 2013 | \$ 125,017 | \$ 125,017 | \$ - | \$ 919,617 | 13.5945% |
| <u>CERS Hazardous</u> | | | | | |
| 2021 | \$ 150,617 | \$ 150,617 | \$ - | \$ 501,180 | 30.0525% |
| 2020 | \$ 141,994 | \$ 141,994 | \$ - | \$ 472,367 | 30.0601% |
| 2019 | \$ 105,740 | \$ 105,740 | \$ - | \$ 425,339 | 24.8602% |
| 2018 | \$ 95,957 | \$ 95,957 | \$ - | \$ 432,241 | 22.1999% |
| 2017 | \$ 73,841 | \$ 73,841 | \$ - | \$ 340,877 | 21.6621% |
| 2016 | \$ 75,695 | \$ 75,695 | \$ - | \$ 389,413 | 19.4382% |
| 2015 | \$ 65,587 | \$ 65,587 | \$ - | \$ 311,161 | 21.0782% |
| 2014 | \$ 64,954 | \$ 64,954 | \$ - | \$ 341,885 | 18.9988% |
| 2013 | \$ 65,246 | \$ 65,246 | \$ - | \$ 323,216 | 20.1865% |

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

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

Changes of Benefit Terms:

None

Changes of assumptions:

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2018.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2019.

The discount rate remained unchanged at 6.25% for plan year 2020.

The inflation rate remained unchanged 2.30% for plan year 2020.

Projected salary increases of 3.30% - 11.50% for non-hazardous and 3.05% - 18.55% for hazardous.

CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET MEDICAL INSURANCE LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

| <u>Year Ended June 30</u> | <u>City's proportion of the net pension liability</u> | <u>City's proportionate share of the net pension liability (asset)</u> | <u>City's covered payroll</u> | <u>City's share of the net pension liability (asset) as a percentage of its covered payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|---------------------------------|---|--|-----------------------------------|---|---|
| <u>CERS Nonhazardous</u> | | | | | |
| 2021 | 0.0487% | \$ 1,175,571 | \$ 1,247,410 | 94.2409% | 51.6704% |
| 2020 | 0.0479% | \$ 806,329 | \$ 1,209,560 | 66.6630% | 60.4382% |
| 2019 | 0.0456% | \$ 809,264 | \$ 1,117,897 | 72.3916% | 57.6218% |
| 2018 | 0.0469% | \$ 943,413 | \$ 1,141,459 | 82.6497% | 52.3940% |
| <u>CERS Hazardous</u> | | | | | |
| 2021 | 0.0808% | \$ 746,918 | \$ 472,367 | 158.1224% | 58.8413% |
| 2020 | 0.0747% | \$ 552,453 | \$ 425,339 | 129.8853% | 64.4396% |
| 2019 | 0.0776% | \$ 553,242 | \$ 432,241 | 127.9939% | 64.2437% |
| 2018 | 0.0616% | \$ 509,387 | \$ 340,877 | 149.4343% | 58.9878% |

* The amounts presented were determined as of the plan's measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

CITY OF CALVERY CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

| Year Ended June 30 | Contractually required pension contribution | Contributions relative to contractually required contribution | Contribution deficiency (excess) | City's covered payroll | Contributions as a percentage of covered payroll |
|---------------------------------|---|---|--|---------------------------|---|
| <u>CERS Nonhazardous</u> | | | | | |
| 2021 | \$ 64,241 | \$ 64,241 | \$ - | \$ 1,349,596 | 4.7600% |
| 2020 | \$ 59,377 | \$ 59,377 | \$ - | \$ 1,247,410 | 4.7600% |
| 2019 | \$ 63,623 | \$ 63,623 | \$ - | \$ 1,209,560 | 5.2600% |
| 2018 | \$ 53,267 | \$ 53,267 | \$ - | \$ 1,117,897 | 4.7649% |
| 2017 | \$ 53,898 | \$ 53,898 | \$ - | \$ 1,141,459 | 4.7219% |
| <u>CERS Hazardous</u> | | | | | |
| 2021 | \$ 47,700 | \$ 47,700 | \$ - | \$ 501,180 | 9.5175% |
| 2020 | \$ 44,969 | \$ 44,969 | \$ - | \$ 472,367 | 9.5199% |
| 2019 | \$ 44,576 | \$ 44,576 | \$ - | \$ 425,339 | 10.4801% |
| 2018 | \$ 40,415 | \$ 40,415 | \$ - | \$ 432,241 | 9.3501% |
| 2017 | \$ 31,802 | \$ 31,802 | \$ - | \$ 340,877 | 9.3295% |

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

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

Changes of Benefit Terms:

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

Changes of assumptions:

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

| | |
|----------------------------------|---|
| Valuation date | June 30, 2018 |
| Experience study | June 30, 2013 - 2018 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 25 years, Closed |
| Asset valuation method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized. |
| Payroll growth rate | 2.00% |
| Investment Return | 6.25% |
| Inflation | 2.30% |
| Single discount rate | 5.34% and 5.30% for non-hazardous and hazardous; decrease from 5.68% and 5.69%. |
| Mortality | RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females) |
| Healthcare trend rates (Pre-65) | Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. |
| Healthcare trend rates (Post-65) | Initial trend starting at 5.10% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. |

SUPPLEMENTAL INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

| | Special Revenue Funds | Total Nonmajor Governmental Funds |
|--------------------------------------|----------------------------------|--|
| | LGEA Coal Severance | |
| ASSETS | | |
| Cash - restricted | \$ 30,528 | \$ 30,528 |
| Total assets | 30,528 | 30,528 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | - | - |
| Total liabilities | - | - |
| Fund balances: | | |
| Restricted: | | |
| Program purposes | 30,528 | 30,528 |
| Total liabilities and fund balances | \$ 30,528 | \$ 30,528 |

See auditors report on pages 1-2.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues,
Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | Special Revenue Funds | | Total Nonmajor Governmental Funds |
|--|----------------------------------|----|--|
| | LGEA Coal Severance | | |
| REVENUES | | | |
| Intergovernmental | \$ - | \$ | - |
| Interest income | 76 | | 76 |
| Total revenues | <u>76</u> | | <u>76</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Capital outlay | - | | - |
| Total expenditures | <u>-</u> | | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>76</u> | | <u>76</u> |
| Net change in fund balances | 76 | | 76 |
| Fund balances - beginning | <u>30,452</u> | | <u>30,452</u> |
| Fund balances - ending | <u><u>\$ 30,528</u></u> | \$ | <u><u>30,528</u></u> |

See auditors report on pages 1-2.



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

Honorable Gene Colburn, Mayor
Members of the City Council
City of Calvert City
Calvert City, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Calvert City, Kentucky's basic financial statements, and have issued our report thereon dated March 11, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Kemper CPA Group, LLP

Paducah, Kentucky
March 11, 2022