

CITY OF CAMPTON, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2022

CITY OF CAMPTON
FINANCIAL STATEMENTS AND REPORT OF AUDIT
For the Year Ended June 30, 2022

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CITY OF CAMPTON

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2022

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Campton
Campton, Kentucky

Report on the Audit of the Financial Statements

Opinions

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 Campton, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Campton, Kentucky's basic financial statements as listed in the table of contents.

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 Campton, Kentucky, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Campton, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in the notes to financial statements, during the year ended June 30, 2022, the City of Campton, Kentucky adopted new accounting guidance, GASB No. 87 *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Campton, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Campton, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Campton, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension supplemental reporting as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023, on our consideration of the City of Campton, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Campton, 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 Campton, Kentucky's internal control over financial reporting and compliance.

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

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

May 22, 2023

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF CAMPTON

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
- Current assets -			
Cash and Cash Equivalents - Unrestricted	\$ 392,084	\$ 343,469	\$ 735,553
Receivables:			
Customers	3,300	141,561	144,861
Due From Other Funds	62,655	-	62,655
Other	70,651	-	70,651
Restricted Assets:			
Cash and Cash Equivalents	174,877	543,435	718,312
Prepaid Insurance	-	33,478	33,478
<u>Total Current Assets</u>	<u>703,567</u>	<u>1,061,943</u>	<u>1,765,510</u>
- Noncurrent assets -			
Land, Easements and Right of Ways	162,062	347,101	509,163
Construction in Progress	466,477	1,030,420	1,496,897
Property, Plant and Fixtures	596,738	28,567,576	29,164,314
Less: Accumulated Depreciation	<u>(379,539)</u>	<u>(11,404,093)</u>	<u>(11,783,632)</u>
<u>Total Noncurrent Assets</u>	<u>845,738</u>	<u>18,541,004</u>	<u>19,386,742</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Pension/OPEB Resources	-	375,257	375,257
Deferred Outflows - 2020 refunding	-	50,735	50,735
<u>Total Deferred Outflows of resources</u>	<u>-</u>	<u>425,992</u>	<u>425,992</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 1,549,305</u>	<u>\$ 20,028,939</u>	<u>\$ 21,578,244</u>

See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF NET POSITION (CONTINUED)June 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
- Current Liabilities -			
Accounts Payable	\$ 71,470	\$ 64,862	\$ 136,332
Accrued Liabilities	-	79,223	79,223
Customer Deposits	-	233,357	233,357
Due to Other Funds	-	62,655	62,655
Lease liabilities	-	1,427	1,427
Loans Payable - Current Portion	-	56,335	56,335
Revenue Bonds Payable - Current Portion	-	78,750	78,750
<u>Total current liabilities</u>	<u>71,470</u>	<u>576,609</u>	<u>648,079</u>
- Noncurrent Liabilities -			
Net Pension/OPEB Liability	-	1,456,001	1,456,001
Compensated Absences	-	10,513	10,513
Lease Liability	-	3,689	3,689
Loans Payable	-	660,132	660,132
Revenue Bonds Payable	-	1,842,350	1,842,350
<u>Total Noncurrent Liabilities</u>	<u>-</u>	<u>3,972,685</u>	<u>3,972,685</u>
<u>Total Liabilities</u>	<u>71,470</u>	<u>4,549,294</u>	<u>4,620,764</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Pension/OPEB Related	-	403,229	403,229
Deferred Inflows - 2020 Refunding	-	27,557	27,557
<u>Total Deferred Inflows of Resources</u>	<u>-</u>	<u>430,786</u>	<u>430,786</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	845,738	15,903,437	16,749,175
Unrestricted (Deficit)	457,220	559,461	1,016,681
Restricted	174,877	(1,414,039)	(1,239,162)
<u>Total net position</u>	<u>1,477,835</u>	<u>15,048,859</u>	<u>16,526,694</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 1,549,305</u>	<u>\$ 20,028,939</u>	<u>\$ 21,578,244</u>

See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
	<u>Expenses</u>			
FUNCTIONS/PROGRAMS:				
- Governmental Activities -				
General Government	\$ 28,109	\$ -	\$ -	\$ (354,900)
Highways and Streets	12,506	-	(12,428)	-
Fire Protection	41,075	-	-	-
	<u>81,690</u>	<u>-</u>	<u>(12,428)</u>	<u>(354,900)</u>
<u>Total governmental activities</u>				
- Business-type Activities -				
Water and Sewer Utilities	2,488,759	(1,741,804)	-	(119,940)
<u>Total business-type activities</u>	<u>2,488,759</u>	<u>(1,741,804)</u>	<u>-</u>	<u>(119,940)</u>
<u>Total primary government</u>	<u>\$ 2,570,449</u>	<u>\$ (1,741,804)</u>	<u>\$ (12,428)</u>	<u>\$ (474,840)</u>

See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2022

	Net (Expense) Revenue and Changes in Net Position		
	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
	326,791	\$ -	\$ 326,791
	(78)	-	(78)
	<u>(41,075)</u>	<u>-</u>	<u>(41,075)</u>
	<u>285,638</u>	<u>-</u>	<u>285,638</u>
	-	(627,015)	(627,015)
	-	(627,015)	(627,015)
	<u>285,638</u>	<u>(627,015)</u>	<u>(341,377)</u>
General revenues:			
Property and general taxes	33,491	-	33,491
Licenses and permits	88,786	-	88,786
Interest income	4,150	4,019	8,169
Transfers in (out)	-	-	-
Miscellaneous	<u>6,529</u>	<u>1,693</u>	<u>8,222</u>
<u>Total general revenues</u>	<u>132,956</u>	<u>5,712</u>	<u>138,668</u>
Change in net position	418,594	(621,303)	(202,709)
Net position - beginning of year - restated	1,059,241	15,360,225	16,419,466
Contributed capital	<u>-</u>	<u>309,937</u>	<u>309,937</u>
Net position - end of year	<u>\$ 1,477,835</u>	<u>\$ 15,048,859</u>	<u>\$ 16,526,694</u>

See notes to financial statements.

CITY OF CAMPTON

BALANCE SHEET – GOVERNMENTAL FUNDSJune 30, 2022

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 392,084	\$ -	\$ 392,084
Accounts Receivable	73,951	-	73,951
Due from Other Funds	60,268	2,387	62,655
<u>Restricted Assets:</u>			
Cash and Cash Equivalents	-	174,877	174,877
<u>Total assets</u>	<u>526,303</u>	<u>177,264</u>	<u>703,567</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 71,470	\$ -	\$ 71,470
<u>Total liabilities</u>	<u>71,470</u>	<u>-</u>	<u>71,470</u>
<u>Fund Balance:</u>			
Unassigned	454,833	-	454,833
Restricted	-	177,264	177,264
<u>Total fund balance</u>	<u>454,833</u>	<u>177,264</u>	<u>632,097</u>
<u>Total liabilities and fund balance</u>	<u>\$ 526,303</u>	<u>\$ 177,264</u>	<u>\$ 703,567</u>

See notes to financial statements.

CITY OF CAMPTONRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2022

Total fund balance per fund financial statements	\$ 632,097
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	\$ 1,225,277	
Less accumulated depreciation	<u>\$ (379,539)</u>	
		845,738

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

Governmental bonds and notes payable	<u>-</u>
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Net position for governmental activities	<u><u>\$ 1,477,835</u></u>
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CITY OF CAMPTON

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

For the Year Ended June 30, 2022

	<u>General</u>	Special Revenue <u>Fund</u>	<u>Total</u>
<u>REVENUES:</u>			
Taxes:			
City Tax Fees	\$ 33,491	\$ -	\$ 33,491
Insurance Premium	86,286	-	86,286
Licenses	2,500	-	2,500
Intergovernmental revenue	354,900	12,428	367,328
Miscellaneous	<u>6,529</u>	<u>-</u>	<u>6,529</u>
<u>Total revenues</u>	<u>483,706</u>	<u>12,428</u>	<u>496,134</u>
<u>EXPENDITURES:</u>			
<u>Current:</u>			
General government	7,603	-	7,603
Fire	41,075	-	41,075
Highways and streets	-	6,090	6,090
Capital outlay	<u>341,686</u>	<u>-</u>	<u>341,686</u>
<u>Total expenditures</u>	<u>390,364</u>	<u>6,090</u>	<u>396,454</u>
Excess of revenues over (under) expenditures	<u>93,342</u>	<u>6,338</u>	<u>99,680</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Interest income	<u>2,856</u>	<u>1,294</u>	<u>4,150</u>
<u>Total other financing sources (uses)</u>	<u>2,856</u>	<u>1,294</u>	<u>4,150</u>
Excess of revenues and other sources over (under) expenditures and other uses	96,198	7,632	103,830
<u>FUND BALANCE - JULY 1-RESTATED</u>	<u>358,635</u>	<u>169,632</u>	<u>528,267</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 454,833</u>	<u>\$ 177,264</u>	<u>\$ 632,097</u>

See notes to financial statements.

CITY OF CAMPTON

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, 2022

Net change in total fund balances per fund financial statements	\$ 103,830
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Amounts reported for governmental activities in the statement of
activities differences:

Governmental funds report capital outlays as expenditures.

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

Capital outlay	\$ 341,686
Depreciation	<u>\$ (26,922)</u>
	<u>314,764</u>

Change in net position of governmental activities	<u><u>\$ 418,594</u></u>
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See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2022

<u>ASSETS</u>	Water and <u>Sewer</u>
<u>CURRENT ASSETS:</u>	
Cash and Cash Equivalents	\$ 343,469
Receivables:	
Customers	141,561
Restricted Assets:	
Cash and Cash Equivalents	543,435
Prepaid	<u>33,478</u>
<u>Total current assets</u>	<u>1,061,943</u>
<u>NONCURRENT ASSETS:</u>	
Capital Assets - Net of Accumulated Depreciation	
Construction in Progress	1,030,420
Land	347,101
Vehicles and Equipment	203,829
Infrastructure	<u>16,959,654</u>
<u>Total noncurrent assets</u>	<u>18,541,004</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows - Pension and OPEB Resources	375,257
Deferred Outflows - 2020 refunding	<u>50,735</u>
<u>Total deferred outflows of resources</u>	<u>425,992</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 20,028,939</u>

See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2022

	Water and Sewer
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES:</u>	
Accounts Payable - Trade	\$ 64,862
Accrued Wages	6,825
Accrued Payroll Liabilities	10,715
Accrued Interest	57,608
Sales Tax Payable	1,636
Utility Tax Payable	2,439
Customer Deposits	233,357
Due to Other Funds	62,655
Lease Liabilities	1,427
Loans Payable	56,335
Bonds Payable	78,750
	<hr/>
<u>Total current liabilities</u>	<u>576,609</u>
<u>NONCURRENT LIABILITIES:</u>	
Net Pension/OPEB Liability	1,456,001
Compensated Absences	10,513
Lease Liabilities	3,689
Loans Payable	660,132
Bonds Payable	1,842,350
	<hr/>
<u>Total noncurrent liabilities</u>	<u>3,972,685</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows - Pension and OPEB Resources	403,229
Deferred Inflows - 2020 refunding	27,557
	<hr/>
<u>Total deferred inflows of resources</u>	<u>430,786</u>
<u>NET POSITION</u>	
Net investment in capital assets, net of related debt	15,903,437
Restricted	543,435
Unrestricted (Deficit)	(1,398,013)
	<hr/>
<u>Total net position</u>	<u>15,048,859</u>
 <u>Total liabilities, deferred inflows of resources and net position</u>	 <u>\$ 20,028,939</u>

See notes to financial statements.

CITY OF CAMPTON

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

For the Year Ended June 30, 2022

	Water and <u>Sewer</u>
<u>REVENUES:</u>	
Sewer Revenue	\$ 257,070
Water Revenue	1,484,734
Miscellaneous Revenue	<u>1,693</u>
<u>Total</u>	<u>1,743,497</u>
<u>OPERATING EXPENSES BEFORE DEPRECIATION:</u>	
Dues and Subscriptions	1,671
Fuel	22,378
Insurance	181,751
Legal Services	7,810
Accounting and Audit	22,200
Miscellaneous	25,952
Office Supplies	27,204
Parts and Chemicals	178,783
Printing and Advertising	2,164
Purchase of Water and Usage	24,348
Repairs and Maintenance	193,311
Retirement Benefits	162,763
Salaries and Wages	382,138
Payroll Taxes	38,755
Sales Tax Expense	19,786
Samples	24,558
Serveline Customer Insurance	55,377
Plant Expense	6,660
Surety Bonds	4,074
Training	912
Unemployment Insurance	7,810
Utilities	229,768
Utility Tax	<u>34,810</u>
<u>Total</u>	<u>1,654,983</u>
OPERATING INCOME BEFORE DEPRECIATION	88,514
<u>LESS - DEPRECIATION</u>	<u>730,234</u>
<u>Net operating income (loss)</u>	<u>(641,720)</u>

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS (Continued)For the Year Ended June 30, 2022NON-OPERATING INCOME (EXPENSES):

Interest income	4,019
Grant Proceeds	119,940
Transfer (Out)	-
Interest expense	<u>(103,542)</u>

<u>Total non-operating income (expenses)</u>	<u>20,417</u>
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<u>Net income (loss)</u>	<u>(621,303)</u>
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<u>NET POSITION - JULY 1 -RESTATED</u>	15,360,225
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<u>Contributed capital</u>	<u>309,937</u>
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<u>NET POSITION - JUNE 30</u>	<u>\$ 15,048,859</u>
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CITY OF CAMPTON

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDSFor the Year Ended June 30, 2022CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers and users	\$ 1,627,099
Payments to/on behalf of employees	(277,328)
Payments to suppliers and contractors	<u>(1,146,746)</u>
 <u>Net cash provided/(used) by operating activities</u>	 <u>203,025</u>

CASH FLOWS FROM CAPITAL

AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets - net	(376,361)
Principal paid on notes and bonds	(129,275)
Change in lease liabilities	5,789
Proceeds from grants	119,940
Interest paid on bonds and notes	(103,542)
Transfer to General Fund	-
Contributed capital	<u>309,937</u>
 <u>Net cash provided/(used) for capital and related financing activities</u>	 <u>(173,512)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>4,019</u>
 <u>Net cash provided/(used) by investing activities</u>	 <u>4,019</u>

<u>NET INCREASE (DECREASE) IN CASH</u>	33,532
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<u>CASH AND RESTRICTED CASH, JULY 1</u>	<u>853,372</u>
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<u>CASH AND RESTRICTED CASH, JUNE 30</u>	<u><u>886,904</u></u>
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CITY OF CAMPTON

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)For the Year Ended June 30, 2022RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating profit/(loss)	(641,720)
Adjustments to reconcile operating net cash provided by operating activities	
Depreciation	730,234
Beginning year adjustment for 2020 refunding	23,612
(Increase) decrease in deferred outflows - pension/OPEB resources	137,833
(Increase) decrease in deferred outflows - 2020 refunding	(50,735)
Increase (decrease) in net pension/OPEB liability	(343,881)
Increase (decrease) in deferred inflows - pension/OPEB resources	292,926
Increase (decrease) in deferred inflows - 2020 refunding	27,557
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	7,400
(Increase) decrease in prepaid insurance	(28,064)
Increase (decrease) in accounts payable	53,258
Increase (decrease) in accrued wages	(30,025)
Increase (decrease) in accrued interest	40,724
Increase (decrease) in payroll liabilities	10,715
Increase (decrease) in compensated absences	(36,868)
Increase (decrease) in sales tax payable	(1,976)
Increase (decrease) in utility tax payable	2,439
Increase (decrease) in customer deposits	<u>9,596</u>
 <u>Net cash provided (used) by operations</u>	 <u>\$ 203,025</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTSJune 30, 2022Note A – General Statement and Summary of Significant Accounting PoliciesGeneral Statement

The City Commissioners, a five member group composed of the Mayor and four Commissioners, each having voting responsibilities, is the level of government which has oversight responsibilities over all activities related to the operations of the City of Campton, Kentucky, its infrastructure, roads, sewer and water system, etc. the City receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Commissioners members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

Summary of Significant Accounting Policies

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

1. The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of City of Campton, Kentucky. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated with the City itself such as the Fire Department (except for monies specifically designated by ordinance to be maintained by the City of Campton, Kentucky).

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of managements, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of the criterial stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)2. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

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

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

Fund Financial Statements

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

The City reports the following major funds:

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

The *Proprietary Fund* is used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. It is specifically used to account for provision of water and sewer services. Activities of the fund include administration and maintenance of the system.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)2. Government-Wide and Fund Financial Statements (continued)

The *Special Revenue Fund* accounts for local government economic assistance and road funds restricted to assisting in general operations of the City and designated for improving the City's highway infrastructure.

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

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

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

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

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

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

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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

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

b. Inventories and Prepaid Items

Supplies and materials are charged to expenditures when purchased.

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

c. Capital Assets, Depreciation, and Amortization

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit’s financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$10,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)4. Assets, Liabilities, and Net Position or Equity (continued)

c. Capital Assets, Depreciation, and Amortization (continued)

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

Land improvements	10 – 40 years
Buildings and improvements	10 – 40 years
Infrastructure	10 – 20 years
Vehicles and equipment	3 – 10 years

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

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

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

e. Fund Equity

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

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

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)4. Assets, Liabilities, and Net Position or Equity (continued)

e. Fund Equity (continued)

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

The following schedule reflects governmental fund balances at June 30, 2022:

Fund balances

	General <u>Fund</u>	Special Revenue <u>Fund</u>	<u>Total</u>
Unassigned	\$ 454,833	\$ -	\$ 454,833
Restricted	<u>-</u>	<u>177,264</u>	<u>177,264</u>
Total fund balances	<u>\$ 454,833</u>	<u>\$ 177,264</u>	<u>\$ 632,097</u>

f. Net Position

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

5. Sources of Revenue and Other General Information

a. Revenues

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

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)5. Sources of Revenue and Other General Information (continued)1. Federal and State Grant Revenue

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

2. State Financial Assistance

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

3. Local Contributed Cash

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

4. In-Kind – Contributed Services

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as expenditures with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt.

5. Other Revenues

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

b. Leases

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

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)6. Budgets and Budgetary Accounting

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

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

7. Leave Policies

Upon retirement from the City, an employee will receive an amount equal to their accumulated unused vacation at their present rate of pay. Employees accumulate 3.33 hours of vacation per month for the first year of employment, 6.67 hours per month for the second through tenth years of employment, and 10 hours per month for the years of service greater than 10 years. As of January 8, 2002, the City adopted a policy limiting the amount of compensated absences that can be carried over. Vacation time is limited to 120 hours of carryover. Accrued compensated absences at June 30, 2022 were \$10,513. Sick leave is accumulated at the rate of 8 hours per month for all permanent employees. Sick leave carryover is capped at 288 hours per fiscal year.

8. Encumbrances

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

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

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)9. Property Tax Calendar

Property taxes for fiscal year 2022 were levied in September 2021, on the assessed valuation of property in Wolfe County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes, are as follows:

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

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

10. Use of Estimates

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

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

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

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)12. Recently Issued Accounting Pronouncements

The City adopted the following new accounting pronouncement during the year ended June 30, 2022.

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

The impact of these pronouncements are reflected in the current financial statements.

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

- Statement No. 91-Conduit Debt Obligations, effective for the City’s fiscal year ending June 30, 2023
- Statement No. 96—Subscription-Based Information Technology Arrangements – Implementation, effective for the City’s fiscal year ending June 30, 2023.
- Statement No. 100-Accounting Changes and Error Corrections, effective for the City’s fiscal year ending June 30, 2024

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

13. Leases**Lessee**

The City has a policy to recognize a lease liability and a right-to-use asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)13. Leases (Continued)

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position.

Lessor

When the City is a lessor for leases of buildings and land it recognizes a lease receivable and deferred inflows of resources in the financial statements. The City has a policy to recognize a lease receivable in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note A – General Statement and Summary of Significant Accounting Policies (Continued)13. Leases (Continued)

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note B – Cash and Investments

The carrying amount of the City's deposits with financial institutions was \$1,453,865 and the bank balance was \$1,472,856. Investments at June 30, 2022 consisted of certificates of deposit in local financial institutions. For purposes of the cash flow statement, cash includes cash checking and savings accounts.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the City may not recover collateral securities. The City requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation coverage (FDIC). At June 30, 2022, \$300,954 was covered by FDIC, and the remainder was secured by securities held in the financial institution's name. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the City's investments in a single issuer. All of the organization's cash is held at a local financial institution.

Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The City does not hold any foreign investments.

Note C – Inventory Items

Supplies and materials are charged to expenditures when purchased.

Note D – Payable from Restricted Assets

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

AML Project Phase 1/ Phase 2	\$ 90
CDBG Checking	182
CDBG Tank Project	7,562
City Of Campton - Whitaker Bank	43,350
Rental Deposit Checking	252,320
SRTS Project	20
USDA RD Bond	190,762
Waste Water Plant	7,434
Water & Sewer Depreciation Fund	29,075
Water Treatment Fund #2	7,494
Wolfe Co. Com Water Ext. Project	5,146
LGEA	36,792
Road Aid	138,085
<u>Total</u>	<u>\$ 718,312</u>

June 30, 2022

The following fund had excess expenditures over revenues:

The following fund had a deficit balance at June 30, 2022:

Note F – Allowance for Uncollectible Accounts and Billing Methods

The City generally reads meters between the 15th and the 20th each month. The bills for the current reading go out on the first day of the following month. The unbilled receivables represent approximately 10 days at the end of June not billed until August 1.

Note G – Proprietary Funds Property, Plant and Equipment

The following is a summary of changes in the property, plant and equipment of the enterprise funds at June 30, 2022:

Depreciation was charged to business-type activities as follows:

Water and Sewer Utility	\$ 730,234
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CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note H – Governmental Fixed Assets

The following is a summary of governmental fixed assets and related depreciation:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
<u>Capital assets not being depreciated:</u>				
Land	\$ 162,062	\$ -	\$ -	\$ 162,062
Construction in Progress	124,791	341,686	-	466,477
Total capital assets not being depreciated	286,853	341,686	-	628,539
<u>Capital assets being depreciated:</u>				
Land Improvements	89,124	-	-	89,124
Buildings and Improvements	86,709	-	-	86,709
Equipment	99,240	-	-	99,240
Infrastructure	321,665	-	-	321,665
Total capital assets being depreciated	596,738	-	-	596,738
<u>Less accumulated depreciation for:</u>				
Land Improvements	(52,623)	-	-	(52,623)
Buildings and Improvements	(35,617)	(2,168)	-	(37,785)
Equipment	(99,240)	-	-	(99,240)
Infrastructure	(165,137)	(24,754)	-	(189,891)
Total accumulated depreciation	(352,617)	(26,922)	-	(379,539)
<u>Total capital assets being depreciated, net:</u>	244,121	(26,922)	-	217,199
<u>Total governmental fund fixed assets</u>	<u>\$ 530,974</u>	<u>\$ 314,764</u>	<u>\$ -</u>	<u>\$ 845,738</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 2,168
Roads and Infrastructure	24,754
Total	<u>\$ 26,922</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note I – Long Term Debt/Demand Notes

The following is a summary of Notes Payable and Revenue Bonds transactions of the City of Campton for the year ended June 30, 2022:

Proprietary-Type Activities:

	Balance			Balance	Due Within
	July 1, 2021	Additions	Deductions	June 30, 2022	One Year
General obligation bonds	\$ 1,994,600	\$ -	\$ (73,500)	\$ 1,921,100	\$ 78,750
Notes from direct borrowing	<u>772,242</u>	<u>-</u>	<u>(55,775)</u>	<u>716,467</u>	<u>56,335</u>
	<u>\$ 2,766,842</u>	<u>\$ -</u>	<u>\$ (129,275)</u>	<u>\$ 2,637,567</u>	<u>\$ 135,085</u>

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

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

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

	Governmental Activities		Proprietary-type activities			
	<u>borrowing</u>		<u>Bonds</u>		<u>Notes from direct</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ -	\$ -	78,750	50,668	\$ 56,335	\$ 6,940
2024	-	-	80,500	48,721	56,900	6,374
2025	-	-	82,000	46,728	57,472	5,803
2026	-	-	83,500	44,691	58,048	5,226
2027	-	-	87,750	42,627	58,631	4,644
2028 - 2032	-	-	351,000	128,665	293,426	14,266
2033 - 2037	-	-	466,000	137,021	135,655	2,100
2038 - 2042	-	-	378,250	75,569	-	-
2043 - 2047	-	-	252,083	29,602	-	-
2048 - 2049	-	-	<u>61,267</u>	<u>6,092</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,921,100</u>	<u>\$ 610,384</u>	<u>\$ 716,467</u>	<u>\$ 45,353</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note I – Long Term Debt/Demand Notes (continued)

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

*Business Type Activities*BONDS

6/30/2022

Bonds payable at June 30, 2022 consists of the following:

Balance

\$593,000 Water and Sewer Revenue Bonds of 1999, maturing through January 2039 in accordance with original amortization schedule, with interest at 3.25%, collateralized by the revenues of the Combined Water and Sewer System

384,000

\$892,000 Water and Sewer Revenue Bonds of 2011, maturing through January 2049 in accordance with original amortization schedule, with interest at 2.25%, collateralized by the revenues of the Combined Water and Sewer System

706,267

In May 2020 the City issued \$925,000 in Water and Sewer Revenue Bonds, maturing through January 2024 in accordance with original amortization schedule, with interest at 4.52%, collateralized by the revenues of the Combined Water and Sewer System. These refunding were issued to defease bonds issued in 1989, 1995, 2003 and 2004.

830,833Totals 1,921,100Compliance with Bond Ordinances

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2022 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash.

Note J – Contingent Liabilities

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

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note K – Lease Liabilities

Proprietary-Type Activities

On January 2021, the City entered into a lease agreement for office equipment with American Business Systems. The lease calls for monthly payments of \$126 over a period of 60 months. The balance of the lease liability as of June 30, 2022 totaled \$5,116.

A summary of changes in lease liabilities for the governmental activities for the year ended June 30, 2022 is as follows:

	<u>Rate</u>	<u>Due</u>	<u>Collateral</u>	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Current</u>
<u>Proprietary Fund</u>								
American Business System	1.90%	Monthly	Equipment	6,516	-	(1,400)	5,116	1,427

Annual requirements to maturity for all governmental long-term lease obligation are as follows:

Proprietary Fund

Year ended June 30,	Principal	Interest	Total Payment
2023	\$ 1,427	\$ 85	\$ 1,512
2024	1,455	57	1,512
2025	1,482	30	1,512
2026	<u>752</u>	<u>4</u>	<u>756</u>
	\$ 5,116	\$ 176	\$ 5,292

Note L – Interfund – Assets/Liabilities

Due from/to other funds balances at June 30, 2022 were as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund		
Due to/from Water Fund	\$ 60,268	\$ -
Special Revenue Fund		
Due to/from Water Fund	2,387	-
Water Fund		
Due to/from General Fund	-	60,268
Due to/from Special Revenue Fund	<u>-</u>	<u>2,387</u>
	<u>\$ 62,655</u>	<u>\$ 62,655</u>

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note M – Interfund – Transfers

Interfund transfers and receipts for the year ended June 30, 2022 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ -
Utilities Fund	-	-
Totals	<u>\$ -</u>	<u>\$ -</u>

Note N – Pension Plans

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

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

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

Contributions - Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a City contribution of 26.95% of the employee's total compensation subject to contributions.

At June 30, 2022, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used was based on an actuarial valuation as of June 30, 2021. At June 30, 2021 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2021 was .017564% for nonhazardous employees.

City's proportionate share of the net	
CERS nonhazardous pension liability	<u>\$ 1,119,843</u>

For the year ended June 30, 2022, the City's government-wide financial statements reported CERS pension expense of \$129,974 for nonhazardous employees. For the year ended June 30, 2022 the City recognized deferred outflows of resources in the amount of \$181,024 and deferred inflows of resources in the amount of \$216,602 were recognized for the year ended.

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE N – Pension Plans (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,859	\$ 10,869
Changes of assumptions	15,030	-
Net difference between projected and actual earnings on pension plan investments	43,442	192,699
Changes in proportion and differences between City contributions and proportionate share of contributions	44,717	13,034
City contributions subsequent to the measurement date	<u>64,976</u>	<u>-</u>
Total	<u>\$ 181,024</u>	<u>\$ 216,602</u>

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

Year	Total
2023	15,615
2024	(35,490)
2025	(33,939)
2026	(46,740)
2027	-
Thereafter	<u>-</u>
Total	<u>(100,554)</u>

Actuarial Methods and Assumptions - The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date, June 30, 2019
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed
- Remaining Amortization Period – 30 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%

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE N – Pension Plans (continued)

- Inflation – 2.30%
- Salary increases, 3.30% to 10.30%, varies by service for non-hazardous
- Investment rate of return – 6.25%
- 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 target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

<u>Asset Class</u>	<u>Non-hazardous</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Growth	54.50%	
US Equity	16.25%	5.70%
Non US Equity	16.25%	6.35%
Private Equity	7.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	25.50%	
Core Bonds	20.50%	0.00%
Cash	5.00%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/a
Real Return	10.00%	4.55%

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

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2021 actuarial valuations. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five year period.

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE N – Pension Plans (continued)

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of net nonhazardous pension liability	\$ 1,436,251	\$ 1,119,843	\$ 858,022

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

The payable to the pension plan by the City at June 30, 2022 was \$8,716.

Note O – OPEB Plans

General Information about the OPEB Plan

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

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

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

Medical Insurance Plan

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

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

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note O – OPEB Plans (continued)

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

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

At June 30, 2022, the City of Campton reported a liability of \$336,158 for its proportionate share of the collective net CERS non-hazardous OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, 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, 2022, the City's proportion was .017559% for non-hazardous employees. The previous year proportion was .017844%.

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

CERS OPEB	
City's proportionate share of the net OPEB liability	\$ <u>336,158</u>

For the year ended June 30, 2022, the City recognized OPEB expense of \$21,354. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	52,861	100,366
Changes of assumptions	89,122	313
Net difference between projected and actual earnings on OPEB plan investments	16,937	69,524
Changes in proportion and differences between City contributions and proportionate share of contributions	19,288	16,424
City contributions subsequent to the measurement date	<u>16,025</u>	<u>-</u>
Total	<u>194,233</u>	<u>186,627</u>

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note O – OPEB Plans (continued)

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

Year	Total
2023	9,383
2024	1,393
2025	2,171
2026	(21,365)
2027	-
Thereafter	<u>-</u>
Total	<u>(8,418)</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation rate	2.30%
Salary increases	3.30% to 10.30%, varies by service for non-hazardous
Investment rate of return	6.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note O – OPEB Plans (continued)

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

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

Asset Class	Non-hazardous	
	Target Allocation	Long-term Expected Nominal Return
Growth	54.50%	
US Equity	16.25%	5.70%
Non US Equity	16.25%	6.35%
Private Equity	7.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	25.50%	
Core Bonds	20.50%	0.00%
Cash	5.00%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/a
Real Return	10.00%	4.55%

Discount rate - The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous personnel. 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 5.20% for non-hazardous personnel, 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, 4.20% for non-hazardous personnel, or 1-percentage-point higher, 6.20% for non-hazardous personnel than the current rate:

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note O – OPEB Plans (continued)

	1%	Current	1%
	Decrease	Discount Rate	Increase
Discount rate	<u>4.20%</u>	<u>5.20%</u>	<u>6.20%</u>
City's proportionate share of net OPEB liability	\$ 461,543	\$ 336,158	\$ 233,259

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:

	1%	Current	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Health Care Trend Rate			
City's proportionate share of net OPEB liability	\$ 241,994	\$ 336,158	\$ 449,816

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

Note P – Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note Q – Insurance and Related Activities

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

Note R - Concentrations

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

CITY OF CAMPTONNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note S – Subsequent Events

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

In October 2022, the City was awarded a grant for a South Valeria Water Line Extension project in the amount of \$1,663,218.

Note T – Beginning Balance Restatement

The City recognized an increase of \$23,612 in the beginning net position for the Proprietary Funds as a result of adjustments for Bond Deferred Inflow and Outflow adjustment. The City recognized a decrease of \$46,653 in the beginning net position for the General Funds as a result of adjustments for Property Tax Receivable.

SUPPLEMENTARY INFORMATION

CITY OF CAMPTON

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

For the Year Ended June 30, 2022

	General Fund		
			Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
<u>REVENUES:</u>			
Taxes	\$ 109,239	\$ 119,777	\$ 10,538
Licenses and permits	3,250	2,500	(750)
Other	-	361,429	361,429
<u>Total revenues</u>	<u>112,489</u>	<u>483,706</u>	<u>371,217</u>
<u>Current:</u>			
General government	62,489	7,603	54,886
Fire protection	44,000	41,075	2,925
Debt service	5,000	-	5,000
<u>Total expenditures</u>	<u>114,489</u>	<u>390,364</u>	<u>(275,875)</u>
Excess of revenue <u>over (under) expenditures</u>	<u>(2,000)</u>	<u>93,342</u>	<u>95,342</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in (out)	-	-	-
Interest income	2,000	2,856	856
<u>Total other financing sources (uses)</u>	<u>2,000</u>	<u>2,856</u>	<u>856</u>
Excess of revenues over (under) <u>expenditures and other sources (uses)</u>	-	96,198	96,198
<u>FUND BALANCE - JULY 1 - RESTATED</u>	<u>-</u>	<u>358,635</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>	<u>\$ 454,833</u>	<u>\$ -</u>

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

CITY OF CAMPTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2022

	Special Revenue Fund		
			Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
<u>REVENUES:</u>			
Intergovernmental revenues	\$ 30,000	\$ 12,428	\$ (17,572)
<u>Total revenues</u>	<u>30,000</u>	<u>12,428</u>	<u>(17,572)</u>
<u>EXPENDITURES:</u>			
Highway and streets	<u>32,000</u>	<u>6,090</u>	<u>25,910</u>
<u>Total expenditures</u>	<u>32,000</u>	<u>6,090</u>	<u>25,910</u>
Excess of revenue			
<u>over (under) expenditures</u>	<u>(2,000)</u>	<u>6,338</u>	<u>8,338</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Interest income	<u>2,000</u>	<u>1,294</u>	<u>(706)</u>
<u>Total other financing sources (uses)</u>	<u>2,000</u>	<u>1,294</u>	<u>(706)</u>
Excess of revenues over (under)			
<u>expenditures and other sources (uses)</u>	<u>-</u>	<u>7,632</u>	<u>7,632</u>
<u>FUND BALANCE - JULY 1</u>	<u>-</u>	<u>169,632</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>	<u>\$ 177,264</u>	<u>\$ -</u>

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

CITY OF CAMPTON

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

For the Year Ended June 30, 2022

	Employer's Proportionate Share of Net Pension Liability							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	CERS	CERS	CERS	CERS	CERS	CERS	CERS	CERS
	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>
Employer's proportion of the net pension liability	0.017564%	0.017849%	0.015943%	0.016310%	0.017335%	0.015440%	0.014712%	0.014968%
Employer's proportionate share of the net pension liability	1,119,843	1,369,004	1,121,278	993,329	1,014,671	760,020	477,000	643,541
Employer's covered employee payroll	336,666	382,807	382,807	374,347	371,165	377,914	337,105	342,863
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	333%	358%	293%	265%	273%	201%	141%	188%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	52.40%	55.50%	60.00%	66.80%

	Employer's Contributions							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	CERS	CERS	CERS	CERS	CERS	CERS	CERS	CERS
	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>	<u>Nonhazardous</u>
Contractually required contribution	86,583	80,872	65,231	58,534	58,878	45,376	63,757	62,118
Contributions in relation to the contractually required contribution	86,583	80,872	65,231	58,534	58,878	43,855	63,795	44,525
Contribution deficiency (excess)	-	-	-	-	-	1,521	(38)	17,593
City's covered employee payroll	336,666	382,807	382,807	374,347	371,165	377,914	337,105	342,863
Contributions as a percentage of covered employee payroll	25.72%	21.13%	17.04%	15.64%	15.86%	12.01%	18.91%	18.12%

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

Ultimately, ten year of data will be presented.

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

CITY OF CAMPTON

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

For the Year Ended June 30, 2022

	Employer's Proportionate Share of Net OPEB Liability - Medical Insurance Fund				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	CERS	CERS	CERS	CERS	CERS
	<u>Non-hazardous</u>	<u>Non-hazardous</u>	<u>Non-hazardous</u>	<u>Non-hazardous</u>	<u>Non-hazardous</u>
Employer's proportion of the net OPEB liability	0.017559%	0.017844%	0.015939%	0.016309%	0.0173%
Employer's proportionate share of the net OPEB liability	336,158	430,878	268,087	289,563	348,493
Employer's covered employee payroll	336,666	382,807	382,807	374,347	371,165
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	100%	113%	70%	77%	94%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	55.50%	57.62%	59.00%

Employer's Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	CERS	CERS	CERS	CERS	CERS
	<u>Non-hazardous</u>	<u>Non-hazardous</u>	<u>Non-hazardous</u>	<u>Non-hazardous</u>	<u>Non-hazardous</u>
Contractually required contribution	21,354	19,946	21,154	18,999	22,151
Contributions in relation to the contractually required contribution	21,354	19,946	21,154	18,999	22,151
Contribution deficiency (excess)	-	-	-	-	-
District's covered employee payroll	336,666	382,807	382,807	374,347	371,165
Contributions as a percentage of covered employee payroll	6.34%	5.21%	5.53%	5.08%	5.97%

Until a full 10-year trend is compiled, the City will present information for years available. Ultimately, ten year of data will be presented.

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

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

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

Honorable Mayor and City Commissioners
City of Campton
Campton, 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 Campton, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Campton, Kentucky's basic financial statements, and have issued our report thereon dated May 22, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Campton, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Campton, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Campton, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Campton, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001.

City of Campton, Kentucky's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.


Chris Gooch
Certified Public Accountant

Hazard, Kentucky
May 22, 2023

CITY OF CAMPTONSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSJune 30, 2022- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2021-001 The City should have internal controls in place that enable it to prepare complete financial statements.**

Condition:	Management was unable to prepare draft financial statements, including the related notes to the financial statements.
Criteria:	The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.
Effect:	Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.
Cause:	The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.
Recommendation:	We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.
The City's Response:	Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statement and related notes.

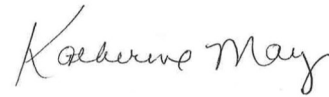
CITY OF CAMPTONSCHEDULE OF FINDINGS AND RESPONSESJune 30, 2022- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2022-001 Financial Statement Presentation to the City's Legislative Body**

Condition:	Based on inquiry and examination of minutes of the governing body, we noted the following were presented at monthly meetings – bank statements, cancelled checks, listing of vendor bills by fund and utility leak reports. However, no evidence was noted budgetary comparison to actual financial statements were presented.
Criteria:	KRS 91A.030 require at quarterly budgetary comparisons of each governmental fund for which an annual budget has been adopted be submitted at least quarterly.
Effect:	Without budget to actual comparison data, the legislative body may not be able to accurately assess present and future financial decisions affecting the City.
Cause:	The City legislative body is not receiving budget to actual comparisons per fund at least on a quarterly basis.
Recommendation:	City management should assure budget to actual comparison data is presented at least on a quarterly basis.
The City's Response:	Management will begin providing budget to actual comparison statements to the City's legislative body.

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CITY OF CAMPTON

For the Year Ended June 30, 2022

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

A handwritten signature in cursive script that reads "Katherine May". The signature is written in dark ink and is positioned above a horizontal line.

Katherine May