

CITY OF EVARTS, KENTUCKY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021

CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Change in Net Position	15
Statement of Cash Flows – Proprietary Funds	16
Notes to Basic Financial Statements	17
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	29
Balance Sheet – Governmental Funds - Nonmajor	31

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds- Nonmajor	32
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards.....	33
Schedule of Findings and Responses	35



Cloyd & Associates, PSC

Certified Public Accountants

and

Business Advisors

INDEPENDENT AUDITOR'S REPORT

Mayor and Council
City of Evarts
Evarts, Kentucky

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Evarts, Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

Responsibility of Management for the Financial Statements

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

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 Evarts, 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.

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Auditors' Responsibilities for the Audit of the Financial Statement

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 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, 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 and 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's internal control. Accordingly, so such opinion is expressed.
- Evaluate the appropriateness of 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'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 management's discussion and analysis and budgetary comparison information and the pension and other postemployment benefits liability and contributions information per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evarts, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Supplementary Information

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 15, 2022, on our consideration of City of Evarts, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Evarts, Kentucky's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

October 15, 2022
Corbin, KY

CITY OF EVARTS, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2021

CITY OF EVARTS, KENTUCKY

As management of the City of Evarts (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. The following information is related to the City's primary government and blended component unit only and does not include information concerning aggregately discretely presented component

FINANCIAL HIGHLIGHTS

- The City's ending cash balance was \$413,335, exclusive of pension trust funds, included \$39,913 in restricted cash with the balance unrestricted. The City also had \$72,890 of restricted cash. The prior year's cash balance was \$262,045 of which \$60,250 was restricted and remaining balance was unrestricted.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police department, fire protection, public works, recycling, building inspection, parks and recreation, main street, and special projects. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found as indicated in the table of contents.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary

CITY OF EVARTS, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2021

funds. Fiduciary funds are trust funds established by benefactors to provide benefits for employees. The City has no proprietary funds. All other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found as indicated in the table of contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found as indicated in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental assets exceeded liabilities by approximately \$3.46 million. The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

CITY OF EVARTS, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2021

The City as a Whole

The following is a summary of the City's net assets:

	Governmental Activities		Total	
	2020	2021	2020	2021
Current and other assets	\$ 519,431	\$ 677,005	\$ 519,431	\$ 677,005
Capital assets, net of depreciation	3,865,108	3,668,336	3,865,108	3,668,336
Total Assets	4,384,539	4,345,341	4,384,539	4,345,341
Deferred outflows of resources	-	-	-	-
Current liabilities	359,344	347,814	359,344	347,814
Other liabilities	539,213	535,334	539,213	535,334
Total Liabilities	898,557	883,148	898,557	883,148
Deferred inflows of resources	1,684,119	1,116,787	655,000	1,116,787
Net assets				
Net investment in capital assets	3,865,108	3,668,336	3,865,108	3,668,336
Restricted	-	-	-	-
Unrestricted	(379,126)	(206,143)	(379,126)	(206,143)
Total Net Position	\$ 3,485,982	\$ 3,462,193	\$ 3,485,982	\$ 3,462,193

The following is a summary of the City's changes in net assets:

	Governmental Activities		Total	
	2020	2021	2020	2021
Revenues				
Program revenues				
Charges for services	\$ 36,761	\$ 32,312	\$ 36,761	\$ 32,312
Operating Grants & contributions	77,252	111,778	77,252	111,778
Capital Grants & contributions	-	-	-	-
General revenues				
Local taxes	171,833	173,236	171,833	173,236
Regulatory fees	-	-	-	-
Licenses and permits	10,550	10,107	10,550	10,107
Earnings on investments	-	-	-	-
Other	20,839	79,800	20,839	79,800
Total revenues	317,235	407,233	317,235	407,233
Expenses				
General government	106,144	101,609	106,144	101,609
Police department	149,114	219,946	149,114	219,946
Fire department	10,461	7,924	10,461	7,924
Public works	-	-	-	-
Recycling center	-	-	-	-
Program expenses	33,822	31,251	33,822	31,251
Parks and recreation	367	-	367	-
Tourism	18,675	49,334	18,675	49,334
Other	2,870	5,828	2,870	5,828
Interest on debt service	-	-	-	-
Total expenses	\$ 321,453	\$ 415,892	\$ 321,453	\$ 415,892
Increase/(Decrease) in net position	<u>\$ (4,218)</u>	<u>\$ (8,659)</u>	<u>\$ (4,218)</u>	<u>\$ (8,659)</u>

There has been some decrease in the overall financial position of the City since the prior year.

CITY OF EVARTS, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2021

General Fund Revenue

The majority of revenue, net of debt, was derived from tax revenue (54% in 2020 and 43% in 2021). Fees for services made up 12% of revenue in 2020 and 8% in 2021. Intergovernmental income made up 24% of total revenues in 2020 and 27% in 2021.

BUDGETARY IMPLICATION

The City's fiscal year is July 1 - June 30; other programs, i.e., some federal programs operate on a different fiscal calendar, but are reflected in the City's overall budget. Significant events that may impact the finances include expected state budget deficits that may impact grant or other revenue. The City routinely attempts to keep expenditures to a minimum because of the anticipated revenue problems. The City's budget was not exceeded in the current year.

Questions regarding this report and any separately issued component unit reports should be directed to the Evarts City Clerk, Evarts, Kentucky, 40828.

CITY OF EVARTS, KENTUCKY**STATEMENT OF NET POSITION****June 30, 2021**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 97,525	\$ 315,810	\$ 413,335
Restricted cash and cash equivalents	-	72,890	72,890
Taxes receivable:			
Property tax	32,053	-	32,053
Other receivables (net of allowance for uncollectible accounts)	-	6,777	6,777
Due from other funds	85,717	65,936	151,653
Prepaid expense	297	-	297
Investment in fixed assets, net			
Depreciable	74,828	3,593,508	3,668,336
Total assets	<u>290,420</u>	<u>4,054,921</u>	<u>4,345,341</u>
LIABILITIES			
Accounts payable	44,860	58,936	103,796
Accrued expenses	-	14,475	14,475
Other current liabilities	-	72,890	72,890
Due to other funds	-	156,653	156,653
Non-current portion of long-term debt due	-	535,334	535,334
Other liabilities	-	-	-
Total liabilities	<u>44,860</u>	<u>838,288</u>	<u>883,148</u>
NET POSITION			
Net investment in capital assets	74,828	3,593,508	3,668,336
Restricted for:			
Debt service	-	-	-
Unrestricted	170,732	(376,875)	(206,143)
Total net position	<u>\$ 245,560</u>	<u>\$ 3,216,633</u>	<u>\$ 3,462,193</u>

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

CITY OF EVARTS, KENTUCKY

STATEMENT OF ACTIVITIES
Year ended June 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General Government	\$ 101,609	\$ -	\$ -	\$ -	\$ (101,609)	\$ -	\$ (101,609)
Police Department	219,946	-	-	-	(219,946)	-	(219,946)
Fire Department	7,924	-	-	-	(7,924)	-	(7,924)
Street and sanitation	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Other	37,079	32,312	-	-	(4,767)	-	(4,767)
Tourism and convention	49,334	-	-	-	(49,334)	-	(49,334)
Total governmental activities	415,892	32,312	-	-	(383,580)	-	(383,580)
Business-type activities							
Water	783,464	800,528	-	-	-	17,064	17,064
Sewer	135,811	154,473	-	-	-	18,662	18,662
Sanitation	97,087	94,470	-	-	-	(2,617)	(2,617)
Interest expense	44,062	-	-	-	-	(44,062)	(44,062)
Total Business-type activities	1,060,424	1,049,471	-	-	-	(10,953)	(10,953)
Total governmental and business-type activities	\$ 1,476,316	\$ 1,081,783	\$ -	\$ -	(383,580)	(10,953)	(394,533)
General revenues							
Taxes:							
Property					83,392	-	83,392
Insurance premium					56,339	-	56,339
Other					33,505	-	33,505
Intergovernmental					111,778	-	111,778
Licenses and permits					10,107	-	10,107
Earnings on investments					-	-	-
Other					65,426	-	65,426
Total general revenues					360,547	-	360,547
Restated net position, July 1, 2020					268,593	3,227,586	3,496,179
Change in net position					(23,033)	(10,953)	(33,986)
Net position as of June 30, 2021					\$ 245,560	\$ 3,216,633	\$ 3,462,193

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

CITY OF EVARTS, KENTUCKY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents - unrestricted	\$ 97,525	\$ 14,812	\$ 97,525
Restricted cash and cash equivalents	-	-	-
Taxes receivable			
Property tax	32,053	-	32,053
Insurance tax	-	-	-
Other receivables (net of allowance for uncollectible accounts)	-	-	-
Prepaid expenses	297	-	297
Due (to)/from other funds	85,717	-	85,717
Total assets	<u>215,592</u>	<u>14,812</u>	<u>215,592</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	44,860	4,433	44,860
Accrued expenses	-	-	-
Unearned revenue	-	-	-
Current portion of accrued compensated absences	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>44,860</u>	<u>4,433</u>	<u>44,860</u>
Fund balances			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	170,732	10,379	181,111
Total fund balances	<u>170,732</u>	<u>10,379</u>	<u>181,111</u>
Total liabilities and fund balances	<u>\$ 215,592</u>	<u>\$ 14,812</u>	<u>\$ 230,404</u>

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

CITY OF EVARTS, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET -GENERAL FUND TO
THE STATEMENT OF NET ASSETS**

June 30, 2021

Total fund balances - Governmental funds	\$	181,111
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Amounts reported for governmental activities in the statement of net
assets are different because:

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported as assets in governmental funds.
The capital assets net of depreciation are:

64,449

Bonds payable, notes payable and leases payable are not reported
in the governmental fund balance sheet because they are not due and
payable in the current period, but they are presented in the statement of net
assets.

-

Interest payable is not reported in the governmental fund balance sheet
because it is not due and payable in the current period, but it is presented
in the statement of net assets.

-

Total net assets - governmental activities

\$	<u>245,560</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF EVARTS, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 83,392	\$ -	\$ 83,392
Municipal insurance	56,339	-	56,339
Other	-	33,505	33,505
Alcohol regulatory fees and licenses	-	-	-
Revenue in lieu of tax	-	-	-
Licenses and permits	10,107	-	10,107
Intergovernmental revenues	87,794	23,984	111,778
			-
Fees for services	32,312	-	32,312
Rent	-	-	-
Interest	-	-	-
Other	79,800	-	79,800
Total revenues	<u>349,744</u>	<u>57,489</u>	<u>407,233</u>
Expenditures			
General Government	101,609	-	101,609
Police Department	219,946	-	219,946
Fire Department	7,924	-	7,924
Street	-	-	-
Parks and recreation	-	-	-
Program expenses	-	31,251	31,251
Tourism and convention	-	49,334	49,334
Miscellaneous	5,828	-	5,828
Total expenditures	<u>335,307</u>	<u>80,585</u>	<u>415,892</u>
Excess (deficit) of revenues over (under) expenditures	14,437	(23,096)	(8,659)
Other financing sources (uses)			
Transfer in/out	-	-	-
Transfer in/out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	14,437	(23,096)	(8,659)
Fund balances, June 30, 2020	<u>156,295</u>	<u>33,475</u>	<u>189,770</u>
Restatement of prior year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ 170,732</u>	<u>\$ 10,379</u>	<u>\$ 181,111</u>

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

CITY OF EVARTS, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year ended June 30, 2021**

Net change in total fund balances - governmental funds	(8,659)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlay for the year.	(14,374)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements but are reductions of liabilities in the statement of net position.	-
Interest is reconizable when accrued on the statement of net position but only when paid in the governmental funds.	-
Change in net position - governmental activities	<u>\$ (23,033)</u>

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

CITY OF EVARTS, KENTUCKY

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2021

	Water	Sewer	Sanitation	Total Proprietary Funds
Current Assets				
Cash	\$ 226,483	\$ 35,690	\$ 53,637	\$ 315,810
Accounts receivable, net	-	-	6,777	6,777
Due from other funds	65,936	-	-	65,936
Total Current Assets	292,419	35,690	60,414	388,523
Noncurrent Assets				
Restricted cash	72,890	-	-	72,890
Capital assets, net of accumulated depreciation	3,101,927	487,986	3,595	3,593,508
Total Noncurrent Assets	3,174,817	487,986	3,595	3,666,398
Total Assets	<u>\$ 3,467,236</u>	<u>\$ 523,676</u>	<u>\$ 64,009</u>	<u>\$ 4,054,921</u>
Current Liabilities				
Accounts payable	\$ 48,386	\$ 5,390	\$ 5,160	\$ 58,936
Bonds payable	-	-	-	-
Deposits	72,890	-	-	72,890
Accrued expenses	8,851	5,624	-	14,475
Due to other funds	-	127,615	29,038	156,653
Total Current Liabilities	130,127	138,629	34,198	302,954
Noncurrent Liabilities				
Note payable	25,334	-	-	25,334
Bond payable	321,914	188,086	-	510,000
Total Noncurrent Liabilities	347,248	188,086	-	535,334
Total Liabilities	477,375	326,715	34,198	838,288
Net Position				
Invested in capital assets, net of related debt	2,780,013	299,900	3,595	3,083,508
Restricted for debt service	-	-	-	-
Unrestricted	209,848	(102,939)	26,216	133,125
Total Net Position	<u>\$ 2,989,861</u>	<u>\$ 196,961</u>	<u>\$ 29,811</u>	<u>\$ 3,216,633</u>

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

CITY OF EVARTS, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Water	Sewer	Sanitation	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 551,301	\$ 154,473	\$ 94,470	\$ 800,244
Intergovernmental revenue	246,941	-	-	246,941
Other income	2,286	-	-	2,286
Total Operating Revenue	800,528	154,473	94,470	1,049,471
Operating Expense				
Salaries	179,151	49,822	32,680	261,653
Advertising and printing	70	468	-	538
Dues	3,331	-	-	3,331
Depreciation	130,816	24,528	8,176	163,520
Repairs & Maintenance	64,065	9,748	5,314	79,127
Utilities	62,534	30,309	48	92,891
Chemicals	-	6,566	-	6,566
Contractual services	274,603	4,723	41,324	320,650
Insurance	-	-	-	-
Supplies	6,239	195	-	6,434
Contractors fees	-	-	-	-
Testing	-	-	-	-
Telephone	-	-	-	-
Fuel	8,002	1,422	2,596	12,020
Uniforms	3,276	2,430	1,269	6,975
Travel	-	-	-	-
Taxes	13,295	-	-	13,295
Dumping expenses	-	-	-	-
Other operating expenses	26,878	-	-	26,878
Other general expenses	11,204	5,600	5,680	22,484
Total Operating Expenses	783,464	135,811	97,087	1,016,362
Operating Income (Loss)	17,064	18,662	(2,617)	33,109
Other Revenues (Expenses)				
Interest revenue	-	-	-	-
Gain/(loss) on disposal of assets	-	-	-	-
Interest expense	(44,062)	-	-	(44,062)
Total Other Revenues (Expenses)	(44,062)	-	-	(44,062)
Income (loss) before transfers	(26,998)	18,662	(2,617)	(10,953)
Transfers (to) / from governmental activities	-	-	-	-
Net Income (Loss)	(26,998)	18,662	(2,617)	(10,953)
Restated Net Position , July 1, 2020	3,016,859	178,299	32,428	3,227,586
Net Position, June 30, 2021	\$ 2,989,861	\$ 196,961	\$ 29,811	\$ 3,216,633

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

CITY OF EVARTS, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS For the Year Ended June 30, 2021

	Water	Sewer	Santitation	Total Proprietary Funds
Cash Flows From Operating Activities				
Receipts from customers	\$ 839,188	\$ 175,441	\$ 104,234	\$ 1,118,863
Payments for goods and services	(554,863)	(111,283)	(88,911)	(755,057)
Net Cash Provided (Used) by Operating Activities	<u>284,325</u>	<u>64,158</u>	<u>15,323</u>	<u>363,806</u>
Cash Flows From Noncapital Financing Activities				
Transfers (to) from other funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital Financing Activities				
Proceeds from debt	-	-	-	-
Capital asset activity	(130,816)	(24,528)	(8,176)	(163,520)
Principal and interest paid on debt	(43,600)	(11,500)	-	(55,100)
Net Cash Used by Capital Financing Activities	<u>(174,416)</u>	<u>(36,028)</u>	<u>(8,176)</u>	<u>(218,620)</u>
Cash Flows From Investing Activities				
Interest	-	-	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Decrease in Cash	109,909	28,130	7,147	145,186
Cash - July 1, 2020	<u>116,574</u>	<u>7,560</u>	<u>46,490</u>	<u>170,624</u>
Cash - June 30, 2021	<u>\$ 226,483</u>	<u>\$ 35,690</u>	<u>\$ 53,637</u>	<u>\$ 315,810</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 17,064	\$ 18,662	\$ (2,617)	\$ 33,109
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	130,816	24,528	8,176	163,520
(Increase) Decrease in:				
Accounts receivable	38,660	20,968	9,764	69,392
Prepays	-	-	-	-
Interfund receivables	-	-	-	-
Increase (Decrease) in:				
Accounts payable	12,255	-	-	12,255
Restricted cash	72,890	-	-	72,890
Accrued expenses	-	-	-	-
Customer deposits	<u>12,640</u>	<u>-</u>	<u>-</u>	<u>12,640</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 284,325</u>	<u>\$ 64,158</u>	<u>\$ 15,323</u>	<u>\$ 363,806</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The financial reporting entity

The City of Evarts (the City), Kentucky is a full-service city incorporated by charter under the Mayor-Council plan of organization provided in Kentucky Revised Statutes 83A.130. The City provides police, fire, streets, sanitation, utilities, economic development, public improvements, planning and zoning and general administrative services with a class five city designation by the Commonwealth of Kentucky.

The accounting policies of the City of Evarts substantially comply with the rules and directives of the Department of Local Government for the Commonwealth of Kentucky which conforms to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basic financial statements

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) generally report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities, if any, are shown in the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) Net investment in capital assets, 2) restricted, and 3) unrestricted, as appropriate. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings or related assets and liabilities that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or function. The City does not charge indirect expense to programs or functions. Interest on general long-term bonded debt is not allocated to the various functions, and interest on capital leases may be allocated to various functions. Program revenues include: 1) charges paid by the recipients of the goods, services, or privileges offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Part of the basic financial statements are fund financial statements for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City does not have any proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds.

The City reports the following governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The activity of City Hall Public Corporation is blended with the general fund. This is a major fund.

The City's nonmajor funds are the Tourism and Convention Commission, the MRA Fund and the LGEA fund.

The City reports on the following enterprise funds:

The City of Evarts Water fund accounts for the operation of the waterworks system.

The City of Evarts Sewage fund accounts for the operation of sewer collection and disposal system.

The City of Evarts Sanitation fund accounts for the operation of garbage collection and disposal.

The Water, Sewage, and Sanitation funds are major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus and basis of accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes property taxes, licenses, fees and permits, intergovernmental revenues charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have accumulated for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Debt proceeds and cost are reported as other financing sources.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to; 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. Cash and cash equivalents and investments

For purposes of the basic financial statements, the City considers cash and cash equivalents to be all demand deposits, all certificates of deposit, and highly liquid, short-term security investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Deposits (cash and investments) are carried at cost which approximates market value. The carrying amount of all deposits is separately displayed on the balance sheet depending on the terms of the deposit. Restricted cash and investments are separately displayed on the balance sheet.

The City of Evarts, Kentucky is authorized by state statute to invest in:

- 1. Obligations of the United States and of its agencies and instrumentalities;
- 2. Bonds or certificates of indebtedness of this state, its agencies, and Instrumentalities;
- 3. Shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured;

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Interest bearing deposits in nationally chartered or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in large amounts provided such bank shall pledge as security obligations of the United States government, its agencies and instrumentalities. Investments are stated as cost or amortized cost, which approximates market.

E. Receivables

All trade receivables are shown net of an allowance for uncollectible accounts. As of June 30, 2021, receivables net of the allowance for uncollectible accounts, for governmental activities was \$32,053 for the General Fund. Grants are fully recognized as revenues when earned because the City expects to collect the amount in full within 60 days of earning the revenue.

F. Prepaid expenses

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

G. Restricted assets

Certain grant proceeds, as well as funds set aside for the repayment of bonds or restricted by enabling legislation may be classified as restricted on the balance sheet and statement of net position, because they are maintained in separate bank accounts, or their use is limited by applicable grant agreements or debt covenants.

H. Capital assets

Under Governmental Accounting Standards Board Statement No. 34 (GASB-34), all capital assets, whether owned by governmental activities or business-type activities, as applicable, are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds financial statements. The City generally considers assets with a cost of \$5,000 and useful lives in excess of one year or more to be a depreciable capital asset. Those presented as not depreciable include land and construction in progress.

At the implementation of GASB-34, the City was a Phase 3 government (governments with total annual revenues of less than \$10 million). Consequently, the City was not required by the provisions of GASB-34 to report major infrastructure assets retroactively. The City chose not to record infrastructure assets retroactively; however, as of July 1, 2003, all infrastructure asset additions and disposals are reported by the City in their related categories.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Major additions that are substantially a new asset are capitalized over the useful lives of that asset category as determined by the City's management.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as the projects are constructed and put into use. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures, and improvements	5 to 50 years
Improvements other than buildings	10 to 50 years
Machinery and equipment	3 to 20 years

Capital assets transferred between funds or functions are transferred at their net book value (cost less accumulated depreciation), as of the date of transfer.

I. Lease obligations

The City may have various assets under capital lease agreements. In the government-wide financial statements, capital leases and the related lease obligations are reported as liabilities in the governmental activities of the statement of net assets.

J. Unearned revenues

Unearned revenues arise in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue may also arise, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City assumes all delinquent taxes to be uncollectible at the end of the year and does not present accounts receivable or deferred revenue in connection with taxes receivable. However, the City does attempt to collect all delinquent taxes.

K Fund balances:

The Board has elected to adopt GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement substantially changed the terminology used to describe different component of the fund balance. Under this statement, the fund balance is separated into five categories as follows:

Nonspendable:	Funds permanently nonspendable by decree of donor, such as an endowment or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
Restricted:	Funds legally restricted under federal and state law, bond authority or grantor contract.
Committed:	Commitments passed by the Board for specific expenditures.
Assigned:	Funds assigned to management priority including issued encumbrances.
Unassigned:	Funds available for future operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

The City does not use encumbrance accounting.

L. Budgets and Budgetary accounting

The City follows procedures pursuant to KRS 91A.030 in establishing the budgetary data reflected in the financial statements. State law and local ordinances require an annual budget be adopted for all governmental and proprietary funds. The City presently adopts an annual budget for all governmental funds based on the cash basis of accounting, which differs from accounting principles generally accepted in the United States of America.

The annual budget is presented annually for review and approval by the Mayor and the City Council. The adopted budget presented to the City Council was not amended during the year. The budget is approved by ordinance on two readings and is effective for the fiscal year, beginning on July 1. Budgetary control is by the Mayor at the function/department level. Amendments to the budget are made after the fact by ordinance approved by the City Council.

M. Property taxes

The City Council sets property tax rates by ordinance, usually in September, on the assessed value as of the prior January 1. Delinquent property taxes attach as an enforceable lien on property as of January 1. The City does not realize prior year delinquencies in the following year soon enough to make them available to meet current year expenditures, and fully reserves the uncollected balance at year's end as uncollectible. Since the net is zero they are not presented on the financial statements. The City entered into an agreement with the Sheriff of Harlan County to collect the City of Evarts' property taxes. The Sheriff receives a collection fee of 4.25% of the original tax bill. The tax rate for real property and personal property was set at \$.415 per \$100 assessed value to finance the General Fund operations.

N. Special projects

The City uses its General Fund to account for all governmental activity. In lieu of establishing a special revenue fund for capital projects, the City reflects acquisition and significant construction activities financed by governmental grants or general governmental funds as "special projects" within the general fund. These may also include "flow through" projects for other organizations. These projects may or may not be depreciated. The City does not capitalize construction period interest in governmental funds.

O. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2021, the carrying amount of the City's cash and cash equivalents was \$486,225. The bank balance was \$489,207. The entire amount was covered by federal depository insurance and/or collateral agreements and collateral held by the pledging bank's trust department in the City's name. By state statute, and City policy, the City may deposit funds in state and nationally chartered banks which provide FDIC insurance and sufficient collateral to secure deposits in excess of FDIC coverage. Cash equivalents are considered to be demand deposits, certificates of deposit and highly liquid, short-term security investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired.

NOTE 3 – GRANT COMMITMENTS

Grants - Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance			Balance
Governmental activities	<u>June 30, 2020</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2021</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings and improvements	148,532	-	-	148,532
Vehicles	152,187	-	-	152,187
General Equipment	<u>255,278</u>	<u>-</u>	<u>-</u>	<u>255,278</u>
	<u>555,997</u>	<u>-</u>	<u>-</u>	<u>555,997</u>
Less: Accumulated depreciation				
Buildings and improvements	(82,206)	(2,971)	-	(85,177)
Vehicles	(153,151)	(17,911)	-	(171,062)
General Equipment	<u>(214,560)</u>	<u>(10,370)</u>	<u>-</u>	<u>(224,930)</u>
Total accumulated depreciation	<u>(449,917)</u>	<u>(31,252)</u>	<u>-</u>	<u>(481,169)</u>
Governmental activities, net capital assets	<u>\$ 1,005,914</u>	<u>\$ 31,252</u>	<u>\$ -</u>	<u>\$ 74,828</u>

NOTE 4 – CAPITAL ASSETS (Continued)

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

General government	\$ 4,398
Street and sanitation	4,846
Fire	9,700
Police	<u>12,308</u>
	<u>\$ 31,252</u>

Business-Type	Balance June 30, 2020	Additions	Dispositions	Balance June 30, 2021
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Property, Plant, and Equipment	<u>6,917,585</u>	<u>-</u>	<u>-</u>	<u>6,917,585</u>
	<u>6,929,585</u>	<u>-</u>	<u>-</u>	<u>6,929,585</u>
Less: Accumulated depreciation				
Property, Plant, and Equipment	<u>(3,172,557)</u>	<u>(163,520)</u>	<u>-</u>	<u>(3,336,077)</u>
Total accumulated depreciation	<u>(3,172,557)</u>	<u>(163,520)</u>	<u>-</u>	<u>(3,336,077)</u>
Business-Type activities, net capital assets	<u>\$ 10,102,142</u>	<u>\$ 163,520</u>	<u>\$ -</u>	<u>\$ 3,593,508</u>

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

Water	\$ 126,340
Sewage	26,822
Sanitation	<u>10,358</u>
	<u>\$ 163,520</u>

NOTE 5 – BONDED DEBT

The original amount of the bond issue, interest rates, and a summary of the changes are summarized below:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Principal Balance 6/30/2020</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Principal Balance 6/30/2021</u>	<u>Due Within One Year</u>
91-10	2034	5%	\$ 20,000	11,000	-	11,000	-	-
91-07	2033	5%	255,000	141,500	-	141,500	-	-
91-13	2025	5%	355,522	110,522	-	110,522	-	-
91-15	2033	5%	348,465	203,465	-	203,465	-	-
93-14	2026	5%	287,992	102,492	-	102,492	-	-
2021R	2034	3%	510,000	-	510,000	-	510,000	-
			<u>\$ 1,776,979</u>	<u>\$ 568,979</u>	<u>\$ 510,000</u>	<u>\$ 568,979</u>	<u>\$ 510,000</u>	<u>\$ -</u>

Principal payments on the bond issues are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$40,833	\$18,025	\$58,858
2023	58,333	14,075	72,408
2024	72,083	12,325	84,408
2025	64,583	10,163	74,746
2026	41,667	8,225	49,892
2027-2031	157,083	25,813	182,896
2032-2036	75,417	3,825	79,242
	<u>\$510,000</u>	<u>\$92,450</u>	<u>\$602,450</u>

NOTE 6 – LONG-TERM DEBT

Future payments for the KIA Loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$25,334	\$0	\$25,334
	<u>\$25,334</u>	<u>\$0</u>	<u>\$25,334</u>

NOTE 7 – RETIREMENT PLANS

The City does not provide a pension or retirement plan to its employees.

NOTE – 8 MUNICIPAL AID FUNDS

The City receives municipal aid funding from the State of Kentucky. These funds are restricted for the specific purposes and may be shown in a separate fund. Municipal Aid funds received for the year amounted to \$17,061.

NOTE – 9 LOCAL GOVERNMENT ECONOMIC ASSISTANCE

The City receives LGEA funding from the State of Kentucky. The funds are restricted for specific purposes. Local Government Economic Assistance funds received for the year amounted to \$6,923.

NOTE – 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the City participates in the Kentucky League of Cities Insurance Services. The City pays an annual premium to each fund for coverage. Workers' Compensation premiums are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications.

In accordance with KRS 65.067, the City bonds officials or employees who handle public funds in an amount covering the maximum amount they may have under their control at any given time. This statute applies to all officers, officials, and employees of all local governments who handle public funds in an execution of their duties. In order to comply with the regulation, the City purchases insurance bonds through various agencies.

There was no reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's coverage in the past three years.

NOTE – 11 CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City officials and attorneys that resolution of these matters will not have a materially adverse effect on the financial condition of the City.

NOTE – 12 SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through October 15, 2022, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. However, in March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic.

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The extent to which COVID-19 may impact the City will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the City has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EVARTS, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021**

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES	\$ 310,500	\$ 310,500	\$ 349,744	\$ 39,244
EXPENDITURES				
General government	98,500	98,500	101,609	3,109
Police department	152,600	152,600	219,946	67,346
Fire department	10,000	10,000	7,924	(2,076)
Street department	-	-	-	-
Parks and Recreation	30,000	30,000	-	(30,000)
Other	-	-	5,828	5,828
Total expenditures	291,100	291,100	335,307	44,207
OTHER FINANCING SOURCES				
Proceeds from debt	-	-	-	-
Total other financing sources	-	-	-	-
OTHER FINANCING USES				
Transfer in/(out)	-	-	-	-
Bonded debt service	-	-	-	-
Total other financing sources	-	-	-	-
Net Change in Fund Balance	19,400	19,400	14,437	(4,963)
Restatement of prior year	-	-	-	-
Fund balance, July 1, 2020	128,800	128,800	156,295	-
Fund balance June 30, 2021	\$ 148,200	\$ 148,200	\$ 170,732	\$ (4,963)

See accompanying notes.

CITY OF EVARTS, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUN BUDGET AND ACTUAL - GENERAL FUND Year Ended June 30, 2021

The City follows procedures pursuant to KRS 91A.030 in establishing the budgetary data reflected in the financial statements. State law and local ordinances require an annual budget be adopted for all governmental and proprietary funds. The City presently adopts an annual budget for all governmental funds based on the cash basis of accounting, which differs from accounting principles generally accepted in the United States of America.

The annual budget is presented annually for review and approval by the Mayor and the City Council. The adopted budget presented to the City Council was not amended during the year. The budget is approved by ordinance on two readings and is effective for the fiscal year, beginning on July 1. Budgetary control is by the Mayor at the function/department level. Amendments to the budget are made after the fact by ordinance approved by the City Council.

CITY OF EVARTS, KENTUCKY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	Municipal Road Aid Fund	LGEA Fund	Tourist and Convention Bureau Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 6,055	\$ 159	\$ 8,598	\$ 14,812
Restricted cash and cash equivalents	-	-	-	-
Taxes receivable				
Property tax	-	-	-	-
Insurance tax	-	-	-	-
Other receivables (net of allowance for uncollectible accounts)	-	-	-	-
Prepaid expenses	-	-	-	-
Due (to)/from other funds	-	-	-	-
Total assets	<u>6,055</u>	<u>159</u>	<u>8,598</u>	<u>14,812</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	4,433	4,433
Accrued expenses	-	-	-	-
Unearned revenue	-	-	-	-
Current portion of accrued compensated absences	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>4,433</u>	<u>4,433</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	6,055	159	4,165	10,379
Total fund balances	<u>6,055</u>	<u>159</u>	<u>4,165</u>	<u>10,379</u>
Total liabilities and fund balances	<u>\$ 6,055</u>	<u>\$ 159</u>	<u>\$ 8,598</u>	<u>\$ 14,812</u>

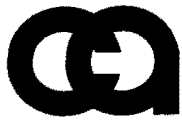
The accompanying notes are an integral part of these financial statements.

CITY OF EVARTS, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2021

	<u>Municipal Road Aid Fund</u>	<u>LGEA Fund</u>	<u>Tourist and Convention Bureau Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Municipal insurance	-	-	-	-
Other	-	-	33,505	33,505
Alcohol regulatory fees and licenses	-	-	-	-
Revenue in lieu of tax	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenues	17,061	6,923	-	23,984
Fees for services	-	-	-	-
Rent	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>17,061</u>	<u>6,923</u>	<u>33,505</u>	<u>57,489</u>
Expenditures				
General Government	-	-	-	-
Police Department	-	-	-	-
Fire Department	-	-	-	-
Street and sanitation	-	-	-	-
Parks and recreation	-	-	-	-
Program expenses	23,345	7,906	-	31,251
Tourism and convention	-	-	49,334	49,334
Total expenditures	<u>23,345</u>	<u>7,906</u>	<u>49,334</u>	<u>80,585</u>
Excess (deficit) of revenues over (under) expenditures	(6,284)	(983)	(15,829)	(23,096)
Other financing sources (uses)				
Transfer in/out	-	-	-	-
Transfer in/out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(6,284)	(983)	(15,829)	(23,096)
Fund balances, June 30, 2020	<u>12,339</u>	<u>1,142</u>	<u>19,994</u>	<u>33,475</u>
Restatement of prior year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ 6,055</u>	<u>\$ 159</u>	<u>\$ 4,165</u>	<u>\$ 10,379</u>

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



Cloyd & Associates, PSC

Certified Public Accountants

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Business Advisors

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

Independent Auditor's Report

Mayor and Council
City of Evarts
Evarts, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Evarts, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Evarts, Kentucky's basic financial statements, and have issued our report thereon dated October 15, 2022.

Internal Control over Financial Reporting

Management of City of Evarts, Kentucky is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered City of Evarts, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Evarts, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Evarts, 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. We consider the deficiency described in the accompanying letter of findings and responses to be a material weakness as item 2021-001.

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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. We did not note significant deficiencies during our audit that require reporting; however, such deficiencies may exist and not be detected.

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

During our audit we did note areas where processes may be improved, and we have provided a separate comments and recommendations letter to management dated October 15, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Evarts, 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.

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.

Cloyd & Associates, PSC

Evarts, Kentucky
October 15, 2022





Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Mayor and Council
City of Evarts
Evarts, Kentucky

In planning and performing our audit of the basic financial statements of the City of Evarts for the year ended June 30, 2021, we considered the District's internal control structure to determine our auditing procedures or the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated October 15, 2022, on the basic financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Cloyd & Associates, PSC
Corbin, Kentucky
October 15, 2022



CITY OF EVARTS
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2021

Current Period Comments

Material Weaknesses

2021-001

Condition: The District has a limited segregation of duties.

Criteria: The District should have segregation of duties to ensure that no one individual has access to resources (e.g., cash and investments) if the individual also is responsible for processing, summarizing and reporting information or authorizing transactions. Certain functions, such as segregation cash receipts and cash disbursements from anyone with the ability and/or responsibility to record these transactions in the general ledger and/or reconcile accounts in the general ledger provides a mechanism for preventing or detecting on a timely basis any errors or irregularities.

Effects: The District is more prone to have errors or irregularities with the general ledger.

Cause: The District is small and relies upon an accounting staff of one person.

Recommendations: The District should ensure that the any available staff other than the bookkeeper should assist in these functions to mitigate the lack of segregation of duties.

Views of Responsible Officials: *The District is a small entity who relies upon one person to perform the accounting functions of the District. However, we have implemented new procedures for the current coordinator to perform to mitigate the risks of having limited segregation of duties.*