



December 10, 2023

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Jessica K Daniel, CPA PSC

PO Box 909

Eddyville, KY 42038

This representation letter is provided in connection with your audit of the financial statements of City of Grand Rivers, Kentucky, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as December 10, 2023, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 22, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

#### **Government—Specific**

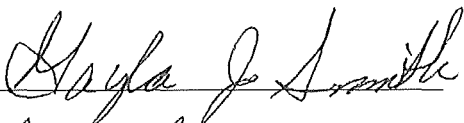
- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 22) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASBS No. 34, as amended.
- 32) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the Combining and Individual Fund Statements:
- a) We acknowledge our responsibility for presenting the Combining and Individual Fund Statements in accordance with accounting principles generally accepted in the United States of America, and we believe the statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the Combining and Individual Fund Statements are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: 

Title: Mayor.

Signature: 

Title: City Clerk

Signature: 

Title: Bookkeeper

CITY OF GRAND RIVERS, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**CITY OF GRAND RIVERS, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
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**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor Tom Moodie  
and Members of the City Council  
City of Grand Rivers, Kentucky  
Grand Rivers, 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 the City of Grand Rivers, Kentucky, as of and for the year ended June 30, 2022, 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 business-type activities of the City of Grand Rivers, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Grand Rivers, 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.

**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 Grand Rivers, 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.

## **Auditors' 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 auditors' 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'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'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.

## **Other Matters**

### *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 on pages 4-9 and 37-38 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



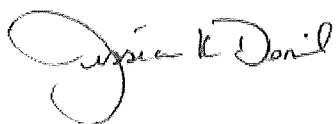
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Rivers, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2023, on our consideration of the City of Grand Rivers, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the City of Grand Rivers, 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 the City of Grand Rivers, Kentucky's internal control over financial reporting and compliance.

 CPA PSC

Eddyville, Kentucky  
December 10, 2023

**CITY OF GRAND RIVERS, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022  
(UNAUDITED)**

The City of Grand Rivers, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's primary governmental financial activities for the year ended June 30, 2022. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

The City reports its annual financial statements in a required model format issued by the Government Accounting Standards Board.

**FINANCIAL HIGHLIGHTS**

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year ended June 30, 2022.

- The total assets of the City exceed is total liabilities and deferred inflows of resources at the close of the 2022 fiscal year by \$8,086,720 (Net Position). Of this amount, \$81,192 represents the unrestricted net position.
- The City's total net position decreased by \$147,339 during the year. Governmental activities decreased the City's net position by \$163,400 and business-type activities increased the City's net position by \$16,061.
- The City's governmental fund balance, a measure of current financial resources, increased in the governmental funds by \$54,700 to a June 30, 2022, fund balance of \$187,932. Of that balance \$10,254 is restricted, \$161,700 is assigned, and \$17,079 is non-spendable, leaving an unrestricted balance of \$14,006. Unrestricted fund balance is available to the City for general operations.
- The Statement of Revenues, Expenditures and Changes in Fund Balance shows that the Governmental Fund revenues exceeded expenditures by \$54,700.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial report includes the activities of the City of Grand Rivers, Kentucky. The City's basic financial statements are comprised of three components: 1) Government-wide statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Statements**

The **government-wide** financial statements are designed to provide readers with a broad overview of the City of Grand Rivers' finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental fund, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 position changed during the most recent fiscal year. All changes in net position 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 are expected to result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, cemetery, and culture and recreation. The business-type activities of the City include water, sewer, and internet. The government-wide financial statements can be found on pages 10 and 11 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following categories - **governmental** funds and **proprietary** funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City of Grand Rivers maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Tourism Fund which are considered to be major funds. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 12-15.

**Proprietary Funds**

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Grand Rivers maintains the following type of proprietary funds:

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and internet operations.

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Internet Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-36 of this report.

**Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules as required. Required supplementary information can be found on pages 37 and 38 of this report. The City also reports supplemental information for combining non-major funds which can be found on pages 39 and 40 of this report.

## **OVERVIEW OF THE CITY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The government-wide financial statements report that during the year ending June 30, 2022, the City received \$36,785 in operating and capital grants and contributions. Revenue from taxes and charges for services were \$521,496 and \$1,278,170 respectively. Expenses directly related to programs offered by the City were \$2,523,214. The Statement of Activities reflects the current year decrease of \$147,339.

- The fund financial statements report General fund ordinary revenues of \$483,426. Expenditures for the year ending June 30, 2022 total \$504,514.
- Tourism revenue totaled \$330,798. Expenditures from the tourism fund were \$340,960.
- The other governmental funds generated ordinary revenues of \$86,655, while expenditures total \$80,896.

The following is a recap of financial activity for the year:

### CITY OF GRAND RIVERS, KENTUCKY'S NET POSITION

	2022	2021
<b>Assets</b>		
Current and other assets	\$ 759,221	\$ 703,753
Noncurrent assets, net	<u>12,725,115</u>	<u>12,821,289</u>
Total Assets	<u>13,484,336</u>	<u>13,525,042</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Long-term liabilities	4,775,562	4,835,533
Other liabilities	<u>397,478</u>	<u>479,372</u>
Total Liabilities	<u>5,173,040</u>	<u>5,314,905</u>
Deferred inflows of resources	<u>224,576</u>	<u>15,961</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,397,616</u>	<u>5,330,866</u>
<b>Net Position</b>		
Invested in capital assets net of related debt	7,719,753	7,776,457
Restricted	285,775	305,814
Unrestricted	<u>81,192</u>	<u>111,905</u>
Total Net Position	<u>\$ 8,086,720</u>	<u>\$ 8,194,176</u>

### CITY OF GRAND RIVERS, KENTUCKY CHANGES IN NET POSITION

	2022	2021
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,278,170	\$ 1,335,343
Grants and contributions	36,785	24,607
General revenues		
Taxes and regulatory fees	585,934	522,492
Other	119,111	81,151
Interest income	3,345	273
Capital contributions	301,360	28,448
Rental income	47,380	24,576
Cemetery income	<u>3,790</u>	<u>3,750</u>
Total revenues	<u>2,375,875</u>	<u>2,020,640</u>
<b>Expenses</b>		
General government	414,175	342,491
Culture and recreation	440,238	275,254
Public works	143,558	123,293
Cemetery	7,050	11,202
Public safety	19,271	4,224
Interest expense	24,887	12,584
Business-type activities	<u>1,474,035</u>	<u>1,452,421</u>
Total Expenses	<u>2,523,214</u>	<u>2,221,469</u>
Change in net position	(147,339)	(200,829)
Net position - beginning, restated	<u>8,234,059</u>	<u>8,395,005</u>
Net position - ending	<u>\$ 8,086,720</u>	<u>\$ 8,194,176</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated a decrease of \$52,000 in the general fund balance. The actual revenues exceeded budgeted revenue received by \$20,816 in the general fund. Budgeted expenditures exceeded actual expenditures by \$10,096. The budgetary figures and actual amounts are reported in the supplementary information on page 37.

The original and final Tourism Fund budget passed by the council anticipated no increase or decrease in the tourism fund balance. The actual revenue received exceeded budgeted revenue by \$143,628 in the tourism fund. Actual expenditures exceeded budgeted expenditures by \$153,790. The budgetary figures and actual amounts are reported in the supplementary information on page 38.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2022, was \$2,006,761. The City's investment in capital assets for its business-type activities as of June 30, 2022, was \$10,646,779. This investment includes land, buildings, vehicles and equipment, net of depreciation. The City placed in service various assets during the year totaling \$363,247. Carrying values of the City's capital assets are as follows:

	<u>2022</u>	<u>2021</u>
<b>Governmental activities:</b>		
Capital assets, not being depreciated:		
Land	\$ 268,210	\$ 265,350
Total capital assets, not being depreciated	<u>268,210</u>	<u>265,350</u>
Capital assets, being depreciated (net):		
Land improvements	1,089,921	1,186,365
Buildings and improvements	537,998	585,754
Infrastructure	81,494	87,773
Furnishings, fixtures, and equipment	26,887	39,716
Vehicles	<u>2,251</u>	<u>2,708</u>
Total capital assets, being depreciated (net)	<u>1,738,551</u>	<u>1,902,316</u>
Governmental activities capital assets, net	<u>\$ 2,006,761</u>	<u>\$ 2,167,666</u>
 <b>Business-type activities:</b>		
Capital assets, not being depreciated:		
Land	\$ 5,761	\$ 4,761
Total capital assets, not being depreciated	<u>5,761</u>	<u>4,761</u>
Capital assets, being depreciated:		
Buildings and improvements	10,612,135	10,654,428
Machinery and equipment	28,883	31,001
Vehicles	<u>-</u>	<u>3,316</u>
Total capital assets, being depreciated	<u>10,641,018</u>	<u>10,688,745</u>
Business-type activities capital assets, net	<u>\$ 10,646,779</u>	<u>\$ 10,693,506</u>

**Long-term and other debt**

At the end of the current fiscal year, the City had a total outstanding debt for the governmental and business-type activities of \$342,531 and \$4,591,256 respectively. The debt is related to equipment and improvements to existing capital assets.

During the next fiscal year, the general fund amount due is \$35,834 and the remainder is scheduled to be paid out in 2037. Interest expense for 2022 was \$24,887. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$122,391 and the remainder is scheduled to be paid out in 2055. Interest expense paid by the proprietary funds for 2022 was \$108,851.

Additional information on the City's long-term debt can be found in Notes 9 and 10 on pages 32-34 of this report.

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the City of Grand Rivers, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Tom Moodie, Mayor, City of Grand Rivers, Kentucky - 122 W Cumberland Ave, Grand Rivers, KY 42045.

**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities	Business-type Activities	Totals
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash equivalents	\$ 179,421	\$ -	\$ 179,421
Accounts receivable (net)			
Fees and services	10,803	105,388	116,191
Taxes	47,473	-	47,473
Regulatory fees	9,455	-	9,455
Unbilled revenue	1,581	16,875	18,456
Intergovernmental receivables	1,892	-	1,892
Lease receivable	46,046	-	46,046
Inventory	-	90,618	90,618
Prepaid expenses	1,972	6,339	8,311
Restricted assets			
Cash equivalents	8,362	232,996	241,358
Total Current Assets	<u>307,005</u>	<u>452,216</u>	<u>759,221</u>
<b>Noncurrent Assets</b>			
Lease receivable	71,575	-	71,575
Land and construction in progress	268,210	5,761	273,971
Depreciable capital assets, net of depreciation	<u>1,738,551</u>	<u>10,641,018</u>	<u>12,379,569</u>
Total Noncurrent Assets	<u>2,078,336</u>	<u>10,646,779</u>	<u>12,725,115</u>
Total Assets	<u>2,385,341</u>	<u>11,098,995</u>	<u>13,484,336</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	52,977	75,994	128,971
Meter deposits payable	-	42,525	42,525
Accrued employee benefits	1,850	8,629	10,479
Accrued payroll	1,903	1,734	3,637
Taxes withheld and accrued	1,190	3,553	4,743
Accrued interest	-	48,898	48,898
Long-term debt due in one year	<u>35,834</u>	<u>122,391</u>	<u>158,225</u>
Total Current Liabilities	<u>93,754</u>	<u>303,724</u>	<u>397,478</u>
<b>Noncurrent Liabilities</b>			
Long-term debt due after one year	<u>306,697</u>	<u>4,468,865</u>	<u>4,775,562</u>
Total Noncurrent Liabilities	<u>306,697</u>	<u>4,468,865</u>	<u>4,775,562</u>
Total Liabilities	<u>400,451</u>	<u>4,772,589</u>	<u>5,173,040</u>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred revenue - leases	112,912	-	112,912
Deferred revenue - grants	-	96,557	96,557
Property taxes	<u>15,107</u>	<u>-</u>	<u>15,107</u>
Total Deferred Inflows of Resources	<u>128,019</u>	<u>96,557</u>	<u>224,576</u>
<b><u>Net Position</u></b>			
Invested in capital assets, net of related debt	1,664,230	6,055,523	7,719,753
Restricted for			
Public works	1,892	-	1,892
Debt service	8,362	232,996	241,358
Customer deposits	-	42,525	42,525
Unrestricted	<u>182,387</u>	<u>(101,195)</u>	<u>81,192</u>
Total Net Position	<u>\$ 1,856,871</u>	<u>\$ 6,229,849</u>	<u>\$ 8,086,720</u>

See accompanying notes to financial statements.



**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 414,175	\$ 109,363	\$ -	\$ -	\$ (304,812)	\$ -	\$ (304,812)
Culture and recreation	440,238	-	14,568	-	(425,670)	-	(425,670)
Public works	143,558	-	22,217	-	(121,341)	-	(121,341)
Public safety	19,271	-	-	-	(19,271)	-	(19,271)
Cemetery maintenance	7,050	-	-	-	(7,050)	-	(7,050)
Interest on long-term debt	24,887	-	-	-	(24,887)	-	(24,887)
Total governmental activities	<u>1,049,179</u>	<u>109,363</u>	<u>36,785</u>	<u>-</u>	<u>(903,031)</u>	<u>-</u>	<u>(903,031)</u>
Business-type activities							
Water system	692,848	664,237	-	-	-	(28,611)	(28,611)
Sewer system	764,192	488,512	-	-	-	(275,680)	(275,680)
Internet	16,995	16,058	-	-	-	(937)	(937)
Total business-type activities	<u>1,474,035</u>	<u>1,168,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,228)</u>	<u>(305,228)</u>
Total Primary Government	<u>\$ 2,523,214</u>	<u>\$ 1,278,170</u>	<u>\$ 36,785</u>	<u>\$ -</u>	<u>(903,031)</u>	<u>(305,228)</u>	<u>(1,208,259)</u>
<b>General Revenues and Transfers</b>							
Taxes							
Property					273,560	-	273,560
Tourism					225,303	-	225,303
Franchise and other					22,633	-	22,633
Regulatory fees					64,438	-	64,438
Miscellaneous					119,111	-	119,111
Rental income					47,380	-	47,380
Cemetery					3,790	-	3,790
Interest income					3,225	120	3,345
Contributed capital					-	301,360	301,360
Transfers					(19,809)	19,809	-
Total General Revenues and Transfers					<u>739,631</u>	<u>321,289</u>	<u>1,060,920</u>
<b>Change in Net Position</b>					(163,400)	16,061	(147,339)
<b>Net Position at Beginning of Year</b>					2,009,100	6,185,076	8,194,176
<b>Prior period adjustments (See Note 14)</b>					11,171	28,712	39,883
<b>Net Position at End of Year</b>					<u>\$ 1,856,871</u>	<u>\$ 6,229,849</u>	<u>\$ 8,086,720</u>

See accompanying notes to financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General	Tourism	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash equivalents	\$ 39,765	\$ 126,433	\$ 13,223	\$ 179,421
Accounts receivable				
Taxes	16,610	30,863	-	47,473
Fees and services	10,803	-	-	10,803
Regulatory fees	-	-	9,455	9,455
Unbilled revenue	1,581	-	-	1,581
Intergovernmental receivables	-	-	1,892	1,892
Prepaid expenses	938	1,034	-	1,972
Due from other funds	-	-	12,586	12,586
Restricted assets				
Cash equivalents	8,362	-	-	8,362
<b><u>Total Assets</u></b>	<b><u>\$ 78,059</u></b>	<b><u>\$ 158,330</u></b>	<b><u>\$ 37,156</u></b>	<b><u>\$ 273,545</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 26,304	\$ 23,813	\$ 2,860	\$ 52,977
Taxes withheld and accrued	391	326	473	1,190
Accrued payroll	365	740	798	1,903
Accrued employee benefits	-	1,850	-	1,850
Due to other funds	12,586	-	-	12,586
Total Liabilities	<u>39,646</u>	<u>26,729</u>	<u>4,131</u>	<u>70,506</u>
<b><u>Deferred Inflows of Resources</u></b>				
Property taxes	<u>15,107</u>	<u>-</u>	<u>-</u>	<u>15,107</u>
Total Deferred Inflows of Resources	<u>15,107</u>	<u>-</u>	<u>-</u>	<u>15,107</u>
<b><u>Fund Balances</u></b>				
Nonspendable				
Prepaid expenses	938	1,034	-	17,079
Restricted for				
Public works	-	-	1,892	1,892
Debt service	8,362	-	-	8,362
Assigned for				
Tourism fund	-	130,567	-	130,567
Alcoholic beverage control	-	-	34,091	34,091
Capital projects	-	-	(2,958)	(2,958)
Unassigned (deficit)	<u>14,006</u>	<u>-</u>	<u>-</u>	<u>14,006</u>
Total Fund Balances (deficit)	<u>23,306</u>	<u>131,601</u>	<u>33,025</u>	<u>187,932</u>
<b><u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>	<b><u>\$ 78,059</u></b>	<b><u>\$ 158,330</u></b>	<b><u>\$ 37,156</u></b>	<b><u>\$ 273,545</u></b>

See accompanying notes to financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**Fund Balances - Total Governmental Funds** \$ 187,932

Amounts reported for governmental activities in the statement of net position are different because of the following reasons.

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 4,396,304	
Less accumulated depreciation	<u>(2,389,543)</u>	2,006,761

Under modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year.

Lease receivable, net		4,709
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Debt due within one year	(35,834)	
Debt due after one year	<u>(306,697)</u>	<u>(342,531)</u>

<b><u>Net Position of Governmental Activities</u></b>		<b><u>\$ 1,856,871</u></b>
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**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Tourism</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes				
Property	\$ 273,560	\$ -	\$ -	\$ 273,560
Tourism	-	225,303	-	225,303
Franchise and other	22,633	-	-	22,633
Regulatory fees	-	-	64,438	64,438
Miscellaneous	62,196	56,915	-	119,111
Intergovernmental	-	14,568	22,217	36,785
Rental income	11,850	34,000	-	45,850
Charges for services	109,363	-	-	109,363
Cemetery income	3,790	-	-	3,790
Interest income	34	12	-	46
Total Revenues	<u>483,426</u>	<u>330,798</u>	<u>86,655</u>	<u>900,879</u>
<b><u>Expenditures</u></b>				
Current				
General government	273,628	-	-	273,628
Culture and recreation	47,760	340,960	25,855	414,575
Public works	113,142	-	50,181	163,323
Cemetery maintenance	7,000	-	-	7,000
Debt service	62,984	-	-	62,984
Capital outlay	-	-	4,860	4,860
Total Expenditures	<u>504,514</u>	<u>340,960</u>	<u>80,896</u>	<u>926,370</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>	<u>(21,088)</u>	<u>(10,162)</u>	<u>5,759</u>	<u>(25,491)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Long-term debt issued	100,000	-	-	100,000
Transfers in (out)	<u>(13,165)</u>	<u>197</u>	<u>(6,841)</u>	<u>(19,809)</u>
Total Other Financing Sources (Uses)	<u>86,835</u>	<u>197</u>	<u>(6,841)</u>	<u>80,191</u>
<b><u>Net Change in Fund Balances</u></b>	65,747	(9,965)	(1,082)	54,700
<b><u>Fund Balances at Beginning of Year</u></b>	(17,286)	141,566	8,952	133,232
<b><u>Prior period adjustments (See Note 14)</u></b>	<u>(25,155)</u>	<u>-</u>	<u>25,155</u>	<u>-</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 23,306</u>	<u>\$ 131,601</u>	<u>\$ 33,025</u>	<u>\$ 187,932</u>

See accompanying notes to financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**Net Change in Fund Balance - Total Governmental Funds** \$ 54,700

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 4,860	
Less current year depreciation	<u>(165,765)</u>	(160,905)

Under the modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the net additional revenue associated with receivables recognized this year less the additional revenue from receivables recombined last year.

Lease receivable payments	117,621	
Recognized unearned income	<u>(112,912)</u>	4,709

Governmental funds report debt proceeds as income. However, debt proceeds do not affect net position in the government-wide Statement of Activities. (100,000)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net position in the government-wide Statement of Activities. 37,429

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. 667

**Changes in Net Position of Governmental Activities** **\$ (163,400)**

**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Business-type Activities Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
<b><u>Assets</u></b>				
<b>Current Assets</b>				
Customer receivables (net allowance of doubtful accounts)	\$ 58,779	\$ 45,372	\$ 1,237	\$ 105,388
Unbilled revenue	9,494	7,169	212	16,875
Inventory	75,213	15,405	-	90,618
Prepaid expenses	3,428	2,911	-	6,339
Restricted assets				
Cash equivalents	-	232,996	-	232,996
Total Current Assets	<u>146,914</u>	<u>303,853</u>	<u>1,449</u>	<u>452,216</u>
<b>Noncurrent Assets</b>				
Land and work in progress	3,561	2,200	-	5,761
Depreciable capital assets, net	<u>1,681,923</u>	<u>8,957,429</u>	<u>1,666</u>	<u>10,641,018</u>
Total Noncurrent Assets	<u>1,685,484</u>	<u>8,959,629</u>	<u>1,666</u>	<u>10,646,779</u>
Total Assets	<u>1,832,398</u>	<u>9,263,482</u>	<u>3,115</u>	<u>11,098,995</u>
<b><u>Liabilities</u></b>				
<b>Current Liabilities</b>				
Accounts payable	54,343	21,081	570	75,994
Meter deposits payable	42,525	-	-	42,525
Accrued employee benefits	5,160	3,469	-	8,629
Taxes withheld and accrued	2,347	1,206	-	3,553
Accrued payroll	1,619	115	-	1,734
Accrued interest payable	112	48,786	-	48,898
Long-term debt due in one year	<u>18,264</u>	<u>104,127</u>	<u>-</u>	<u>122,391</u>
Total Current Liabilities	<u>124,370</u>	<u>178,784</u>	<u>570</u>	<u>303,724</u>
<b>Noncurrent Liabilities</b>				
Long-term debt due after one year	<u>173,930</u>	<u>4,294,935</u>	<u>-</u>	<u>4,468,865</u>
Total Liabilities	<u>298,300</u>	<u>4,473,719</u>	<u>570</u>	<u>4,772,589</u>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred revenue - grant	<u>47,519</u>	<u>49,038</u>	<u>-</u>	<u>96,557</u>
Total Deferred Inflows of Resources	<u>47,519</u>	<u>49,038</u>	<u>-</u>	<u>96,557</u>
<b><u>Net Position</u></b>				
Invested in capital assets, net of related debt	1,493,290	4,560,567	1,666	6,055,523
Restricted for debt service	-	232,996	-	232,996
Restricted for customer deposits	42,525	-	-	42,525
Unrestricted (deficit)	<u>(49,236)</u>	<u>(52,838)</u>	<u>879</u>	<u>(101,195)</u>
Total Net Position	<u>\$ 1,486,579</u>	<u>\$ 4,740,725</u>	<u>\$ 2,545</u>	<u>\$ 6,229,849</u>

See accompanying notes to financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Business-type Activities Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 664,237	\$ 488,512	\$ 16,058	\$ 1,168,807
Total Operating Revenues	664,237	488,512	16,058	1,168,807
<b><u>Operating Expenses</u></b>				
Depreciation	76,835	326,558	1,721	405,114
Purchased water	281,467	-	-	281,467
Salaries and wages	161,481	98,740	-	260,221
Repairs and maintenance	49,033	45,727	3,505	98,265
Utilities	13,457	60,368	-	73,825
Contracted services	19,543	25,726	11,769	57,038
Employee benefits	26,993	22,941	-	49,934
Materials and supplies	4,211	37,678	-	41,889
Insurance	18,042	9,938	-	27,980
Professional	13,665	10,267	-	23,932
Taxes	12,695	8,348	-	21,043
Gasoline, oil and grease	5,022	4,479	-	9,501
Office supplies	1,282	7,483	-	8,765
Miscellaneous	4,663	508	-	5,171
Uniforms	654	385	-	1,039
Total Operating Expenses	689,043	659,146	16,995	1,365,184
<b><u>Income (Loss) from Operations</u></b>	<b><u>(24,806)</u></b>	<b><u>(170,634)</u></b>	<b><u>(937)</u></b>	<b><u>(196,377)</u></b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Interest income	78	42	-	120
Interest expense	(3,805)	(105,046)	-	(108,851)
Total Nonoperating Revenues (Expenses)	(3,727)	(105,004)	-	(108,731)
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	<b><u>(28,533)</u></b>	<b><u>(275,638)</u></b>	<b><u>(937)</u></b>	<b><u>(305,108)</u></b>
Capital contributions	180,042	121,318	-	301,360
Transfers in (out)	(32,744)	52,925	(372)	19,809
<b><u>Change in Net Position</u></b>	<b><u>118,765</u></b>	<b><u>(101,395)</u></b>	<b><u>(1,309)</u></b>	<b><u>16,061</u></b>
<b><u>Net Position at Beginning of Year</u></b>	<b><u>1,346,315</u></b>	<b><u>4,836,831</u></b>	<b><u>1,930</u></b>	<b><u>6,185,076</u></b>
<b><u>Prior period adjustment (See Note 14)</u></b>	<b><u>21,499</u></b>	<b><u>5,289</u></b>	<b><u>1,924</u></b>	<b><u>28,712</u></b>
<b><u>Net Position at End of Year</u></b>	<b><u>\$ 1,486,579</u></b>	<b><u>\$ 4,740,725</u></b>	<b><u>\$ 2,545</u></b>	<b><u>\$ 6,229,849</u></b>

See accompanying notes to financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Business-type Activities Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 677,344	\$ 498,399	\$ 16,531	\$ 1,192,274
Cash payments to suppliers for goods and services	(461,902)	(235,610)	(16,159)	(713,671)
Cash payments to employees for services	(162,761)	(100,064)	-	(262,825)
Net Cash Provided (Used) By Operating Activities	<u>52,681</u>	<u>162,725</u>	<u>372</u>	<u>215,778</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	14,775	52,925	-	67,700
Transfers out	-	-	(372)	(372)
Grant proceeds	-	49,038	-	49,038
Net Cash Provided (Used) By Noncapital Financing Activities	<u>14,775</u>	<u>101,963</u>	<u>(372)</u>	<u>116,366</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Capital contributions	180,041	121,318	-	301,359
Principal paid on debt	(72,997)	(100,106)	-	(173,103)
Acquisition of property, plant and equipment	(200,276)	(158,111)	-	(358,387)
Interest paid on debt	(5,128)	(105,046)	-	(110,174)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(98,360)</u>	<u>(241,945)</u>	<u>-</u>	<u>(340,305)</u>
<b><u>Cash Flows from Investing Activities</u></b>				
Income received on investments	78	42	-	120
Net Cash Provided (Used) By Investing Activities	<u>78</u>	<u>42</u>	<u>-</u>	<u>120</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	<u>(30,826)</u>	<u>22,785</u>	<u>-</u>	<u>(8,041)</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>30,826</u>	<u>210,211</u>	<u>-</u>	<u>241,037</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ -</u>	<u>\$ 232,996</u>	<u>\$ -</u>	<u>\$ 232,996</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u></b>				
Operating income (loss)	\$ (24,806)	\$ (170,634)	\$ (937)	\$ (196,377)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	76,835	326,558	1,721	405,114
Change in assets and liabilities				
Decrease (increase) in accounts receivable	12,622	9,887	473	22,982
Decrease (increase) in prepayments	(1,611)	(1,610)	-	(3,221)
Decrease (increase) in inventory	(16,275)	(3,335)	-	(19,610)
Increase (decrease) in accounts payable	6,712	3,183	(885)	9,010
Increase (decrease) in accrued liabilities	(796)	(1,324)	-	(2,120)
Net Cash Provided (Used) By Operating Activities	<u>\$ 52,681</u>	<u>\$ 162,725</u>	<u>\$ 372</u>	<u>\$ 215,778</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current assets - cash	\$ -	\$ -	\$ -	\$ -
Restricted assets - cash	-	232,996	-	232,996
Total cash	<u>\$ -</u>	<u>\$ 232,996</u>	<u>\$ -</u>	<u>\$ 232,996</u>
<b><u>Non-Cash Investing, Capital and Related Financing Activities - none</u></b>				

See accompanying notes to financial statements.



**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Grand Rivers, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public works (streets and highways), culture and recreation, water distribution, wastewater treatment, cemetery maintenance, health and welfare, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the City are described below:

**A. The Financial Reporting Entity**

The City of Grand Rivers, Kentucky operates under a Mayor/Council form of government. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City. There are no organizations to be included in the reporting entity.

**B. Basis of Presentation**

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

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

***Governmental Funds***

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on sources, uses, and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Tourism Fund

The Tourism fund accounts for the collection of hotel/motel and restaurant taxes. These revenues are to be used to promote tourism activities in the Grand Rivers area.

***Proprietary Funds***

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, water treatment, and distribution infrastructure additions and maintenance. The department accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, wastewater treatment and collection, infrastructure additions and maintenance. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**C. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Franchise and other taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer and internet services which are accrued. Expenses are recognized at the time the liability is incurred.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**D. Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Non-major governmental funds are not budgeted.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and request appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

As required by Kentucky Revised Statutes (KRS) 91A.030 (2), formal budgetary integration is employed as a management device during the year for the General Fund, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by KRS 91A.030 (13).

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the General Fund or Tourism Fund original adopted budgets for year ended June 30, 2022.

**E. Cash and Investments**

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

Investments include certificates of deposit reported at cost, which approximates fair value. Investments also include short-term pooled municipal guaranteed securities which are valued at market value. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. Additional cash and investment disclosures are presented in Note 3.

**F. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The major receivable balance for the governmental activities normally include taxpayer assessed revenues. Business-type activities report customer utility usages as their major receivable.

**G. Allowance for Uncollectible Accounts**

The City established an allowance for doubtful accounts based off of past collection history. The City has determined that a fair estimate for uncollectible accounts is 4.8% of outstanding receivables.

**H. Inventory**

Material and supply inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. Adjustments are made to cost of goods sold at year-end when physical counts are performed on inventory items.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

**J. Restricted Assets**

The restricted funds have been handled in accordance with the provisions of the various proprietary fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. 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 GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	35-50 years
Land Improvements	10-35 years
Utility Plant	50 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years
Vehicles	5-7 years

The City has elected not to retroactively report general infrastructure assets purchased prior to July 1, 2003.

**L. Unearned Revenue**

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

**M. Postemployment Benefits**

Postemployment benefits are those received by employees after termination of employment. The City provides no such benefits.

**N. Compensated Absences**

The City accrues vacation leave benefits as earned by its employees at June 30. Paid time off is earned for the year on January 1 and any unused time at December 31 is forfeited. These benefits are measured using the pay rates in effect at June 30, 2022. The entire compensated absence liability is reported on the government-wide financial statements and proprietary fund financial statements.

**O. Long-Term Debt**

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of lease, note, and bond obligations payable.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Debt issuance costs on long-term debt are amortized over the life of the bond issues using the straight-line method.

**P. Deferred Outflows and Inflows of Resources**

**Deferred Outflows of Resources:** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applied to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

**Deferred Inflows of Resources:** In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category.

Deferred inflows related to unearned interest revenue are reported in the government-wide statement of net position. A deferred inflow from unearned interest revenue results from the interest portion of the lease receivable that will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to property taxes are reported in the government-wide statement of net position and governmental balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to grants are reported in the government-wide statement of net position and governmental balance sheet. Coronavirus state and local fiscal recovery grant funds received are deferred and will be used in future periods.

**Q. Bond Discounts/Issuance Costs**

Bond discounts and issuance costs on long-term debt are deferred and charged as nonoperating expense over the terms of the related issues.

**R. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**CITY OF GRAND RIVERS, KENTUCKY**  
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**S. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenditures during the reporting period. Actual results could differ from those estimates.

**T. Pensions**

The City contributes to a Simple IRA plan for all eligible employees. The City will contribute a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The plan is administered by Edward Jones and is established under Section 408(p) of the Internal Revenue Code. The City contributed \$6,349 to employee Simple IRA accounts for the year ending June 30, 2022.

**U. Net Position**

In the government-wide statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City has implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The City establishes (and modifies or rescinds) fund balance commitments by voting. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City through adoption or amendment of the budget which is intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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- **Committed fund balance** - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**V. Adoption of New Accounting Pronouncements**

As of June 30, 2022, the GASB has issued the following pronouncements required to be adopted by the City.

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after June 15, 2021. This Statement will increase the usefulness of government financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The City recognized lease receivables of \$117,621 and a deferred inflow of resources of \$112,912.

GASB Statement No. 92, *Omnibus 2020*, was issued January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued June 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement has no effect on the City's financial statement in the current year.



**CITY OF GRAND RIVERS, KENTUCKY**  
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GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued October 2021. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

**Recent Accounting Pronouncements**

As of June 30, 2022, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible assets - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022 and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City's management has not yet determined the effect this statement will have on the financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
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GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

**W. Subsequent Events**

The City has evaluated subsequent events through December 10, 2023, the date which the financial statements were available to be issued.

Tourism Outdoor Recreation & Adventure Project includes revitalizing Little Lake Park with new playground equipment, benches, sitting areas, and splash-pad, bike share "rental" program, and mural project. Additionally, the project includes a musical train that would consist of large commercial percussion instruments throughout Grand Rivers along the sidewalks. The total cost of the project presented was \$456,000. The first stage of the project was implemented during the July 2021 Commission meeting.

**2. LEGAL COMPLIANCE**

**Excess of Expenditures Over Appropriations in Individual Funds**

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2022.

Tourism Fund                      \$153,790    Due to underbudgeted operating expenses.

Fund equity and other financial sources were sufficient to offset the over expenditures in the Tourism Fund.

**Deficit Fund Balances/Net Position**

A fund balance deficit of \$2,958 exists in the Capital Projects Fund. The City has sufficient resources to cover the deficit as of December 10, 2023.

**3. DEPOSITS AND INVESTMENTS**

**A. Statement of Net Position Cash Presentation**

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 250	\$ 179,171	\$ -	\$ 179,421
Restricted assets				
Cash equivalents	-	241,358	-	241,358
Total	<u>\$ 250</u>	<u>\$ 420,529</u>	<u>\$ -</u>	<u>\$ 420,779</u>

**B. Deposits**

At year end, the carrying amount of the City's demand deposits were \$420,779 and the bank balance was \$449,883. These demand deposits were held in various financial institutions. Of the bank balance \$258,363 was covered by federal depository insurance and the remaining \$191,520 was collateralized by securities held by the pledging financial institution's agent or trust department in the City's name.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**C. Investments**

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state chartered banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury, agencies, and instrumentalities.

*Interest Rate Risk*

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 have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk and Custodial Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

*Concentrations of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limit on the amount that may be invested with one issuer.

**4. PROPERTY TAX**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Livingston County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Livingston County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2022, taxes were levied on July 1 and payable on December 31. The tax rate was \$0.260 per \$100 of assessed valuation for motor vehicles, \$0.307 per \$100 of assessed valuation of real property, and \$0.5876 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

**5. RESTRICTED NET POSITION**

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the General, Water, and Sewer Funds as of June 30, 2022.

<u>Public Works - Restricted Assets</u>	
Public Works	\$ 1,892
<u>Customer Deposits - Restricted Assets</u>	
Water - Customer deposits	42,525
<u>Debt Requirement Restricted Assets</u>	
General - Bond reserve funds	8,362
Sewer - Bond reserve funds	232,996
Total Restricted Assets	<u>\$ 285,775</u>

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**6. CAPITAL ASSETS**

**Governmental Activities**

A summary of capital assets at June 30, 2022 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 265,350	\$ -	\$ -	\$ 265,350
Construction in progress	-	2,860	-	2,860
Total capital assets not being depreciated	265,350	2,860	-	268,210
Capital assets being depreciated:				
Infrastructure	221,020	-	-	221,020
Land improvements	2,253,626	-	-	2,253,626
Buildings	1,377,503	-	-	1,377,503
Furnishings, fixtures, and equipment	261,445	-	-	261,445
Vehicles	12,500	2,000	-	14,500
Total capital assets being depreciated	4,126,094	2,000	-	4,128,094
Less accumulated depreciation for:				
Infrastructure	(133,247)	(6,279)	-	(139,526)
Land improvements	(1,067,261)	(96,444)	-	(1,163,705)
Buildings	(791,749)	(47,756)	-	(839,505)
Furnishings, fixtures, and equipment	(221,729)	(12,829)	-	(234,558)
Vehicles	(9,792)	(2,457)	-	(12,249)
Total accumulated depreciation	(2,223,778)	(165,765)	-	(2,389,543)
Total capital assets being depreciated, net	1,902,316	(163,765)	-	1,738,551
Governmental activities capital assets, net	<u>\$ 2,167,666</u>	<u>\$ (160,905)</u>	<u>\$ -</u>	<u>\$ 2,006,761</u>

**Business-type Activities**

A summary of property, plant and equipment at June 30, 2022 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,761	\$ 1,000	\$ -	\$ 5,761
Total capital assets not being depreciated	4,761	1,000	-	5,761
Capital assets being depreciated:				
Buildings and improvements	15,006,467	351,987	-	15,358,454
Machinery and equipment	470,812	5,400	-	476,212
Vehicles	148,151	-	-	148,151
Total capital assets being depreciated	15,625,430	357,387	-	15,982,817
Less accumulated depreciation for:				
Buildings and improvements	(4,352,039)	(394,280)	-	(4,746,319)
Machinery and equipment	(439,811)	(7,518)	-	(447,329)
Vehicles	(144,835)	(3,316)	-	(148,151)
Total accumulated depreciation	(4,936,685)	(405,114)	-	(5,341,799)
Total capital assets being depreciated, net	10,688,745	(47,727)	-	10,641,018
Business-type activities capital assets, net	<u>\$ 10,693,506</u>	<u>\$ (46,727)</u>	<u>\$ -</u>	<u>\$ 10,646,779</u>

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 113,385
Public safety	3,553
Public works	7,396
Culture and recreation	41,381
Cemetery	50
Total depreciation expense - governmental activities	<u>\$ 165,765</u>
Business-type activities:	
Water	\$ 76,835
Sewer	326,558
Internet	1,721
Total depreciation expense - business type activities	<u>\$ 405,114</u>

**7. LEASES**

The City entered into an agreement between the Grand Rivers Tourism Commission and Minihan Productions, LLC, to sublease the Badgett Playhouse. The initial agreement dated June 15, 2005, for 10 years, was renewed January 1, 2015 for an additional 10 years, through December 31, 2024. Minihan Productions agrees to pay the Grand Rivers Tourism Commission a sum of \$40,000 annually from sales at a rate of 8%. The Grand Rivers Tourism Commission agrees to pay the City of Grand Rivers a sum of \$8,000 annually to be paid at a rate of 2% of gross receipts collected by Minihan until the amount is paid in full each year. Should the percentage be insufficient, a settlement is due within 30 days of the calendar year end for the remaining balance.

The City entered into an agreement with Phillip and Brenda Colburn to sublease the land known as Lighthouse Landing. The most recent agreement was signed on January 1, 2005 for a term of 20 years. The annual lease is for \$8,800 to be paid in monthly installments.

The following is a schedule of future minimum rentals under the lease agreements at June 30, 2022:

<u>June 30,</u>	<u>Principal</u>	<u>Lease Interest</u>	<u>Total</u>
2023	\$ 47,136	\$ 1,664	\$ 48,800
2024	28,378	422	28,800
2025	4,364	36	4,400
Total	<u>\$ 79,878</u>	<u>\$ 2,122</u>	<u>\$ 82,000</u>

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2022. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**9. LONG-TERM DEBT**

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

*Governmental Activities*

As of June 30, 2022, the governmental long-term debt consisted of the following:

Current portion general obligation bonds and notes	
Bond obligations	\$ 10,000
Note obligations	<u>25,834</u>
Total current portion	<u>35,834</u>
Noncurrent portion general obligation bonds and notes:	
Bond obligations	195,833
Note obligations	<u>110,864</u>
Total noncurrent portion	<u>306,697</u>
Total General Bond and Note Obligations	<u><u>\$ 342,531</u></u>

*General Bonds Payable*

The City entered into a leasing agreement on March 29, 2012, with the Kentucky Bond Corporation to help finance storm damage expenses. The original amount advanced was \$255,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning May 1, 2012 (the monthly payments vary and range from \$2,625 to \$3,168). The bond was paid in full on February 1, 2022.

The City entered into a leasing agreement on November 30, 2016, with the Kentucky Bond Corporation to help finance the sidewalk and streetlight project. The total amount financed was \$260,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning February 1, 2017 (the monthly payments vary and range from \$1,624 to \$1,729). The last scheduled payment is January 1, 2037. The lease agreement provides financing rates of approximately 4.20%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2022, is \$205,833.

*General Notes Payable*

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to the community center. The agreement was entered into on June 16, 2015, with an available amount of \$80,000 with an interest rate of 4.49% and a maturity date of June 16, 2020. This loan was refinanced on June 22, 2020, for the amount of \$53,311. The loan calls for monthly payments with an interest rate of 4.24% and a maturity date of June 22, 2025. As of June 30, 2022 the principal balance is \$39,682.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to city hall. The agreement was entered into on March 31, 2022, for the amount of \$100,000 with an interest rate of 4.00% and a maturity date of April 3, 2027. The loan calls for monthly payments of \$1,845. As of June 30, 2022 the principal balance is \$97,016.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

*Business-Type Activities*

As of June 30, 2022, the leases and notes payable from proprietary fund resources consisted of the following:

Current portion proprietary leases, notes and bonds:	
Note obligations	\$ 37,891
Bond obligations	84,500
Total current portion	<u>122,391</u>
Noncurrent portion proprietary leases, notes, and bonds	
Note obligations	216,865
Bond obligations	4,252,000
Total noncurrent portion	<u>4,468,865</u>
Total Proprietary Lease, Note, and Bond Obligations	<u>\$ 4,591,256</u>

*Proprietary Leases*

National Rural Water Association - The City entered into a leasing agreement on December 19, 2001, with the Kentucky Rural Water Finance Corporation Area Development Districts Financing Trust to finance water improvement projects at interest rates approximating 5% per annum. This agreement was refinanced on February 27, 2013 with lower interest rates of 2.3%-2.8%. The lease agreement requires monthly payments including principal and interest to be made to a sinking fund beginning April 2013 varying from \$4,712 to \$5,437. The lease was paid in full in January 2022.

*Proprietary Notes Payable*

Kentucky Infrastructure Authority - The City entered into a loan agreement with Kentucky Infrastructure Authority for \$263,000. The project consisted of Lake City waterline improvements and water tank repairs. The project was completed in June 2015. The loan calls for semi-annual payments due June 1 and December 1 with an interest rate of .75% and was financed over 20 years. The principal balance at June 30, 2022 is \$175,393.

First Kentucky Bank - The City entered into a loan agreement with First Kentucky Bank for \$125,175 on June 1, 2020. The funds were used for water and sewer repairs. The loan calls for monthly payments with an interest rate of 4.00% and was financed over 5 years. The principal balance at June 30, 2022 is \$79,363.

*Revenue Bonds*

Water and Sewer Revenue Bonds - The City of Grand Rivers, Kentucky, adopted a resolution to issue \$3,662,000 of City of Grand Rivers, Water and Sewer Revenue Bonds, Series 2015A and \$1,067,000 Water and Sewer Revenue Bonds, Series 2015B for the purpose of a new sewer plant and lift station. The bonds were finalized June 6, 2016 with an interest rate of 2.25%. The bond covenants require \$1,760 per month be deposited into a "Funded Debt Reserve Account" until the account reaches \$211,200. The deposits are to be resumed any time the account falls below the \$211,200. The principal balances at June 30, 2022 are \$4,336,500.

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

A summary of changes in government-wide debt activities for the year ended June 30, 2022 follows:

	Balance June 30, 2021	Proceeds	Retirement/ Reductions	Balance June 30, 2022	Due in One Year
<i><u>Governmental Activities</u></i>					
Leases payable:					
Kentucky Bond Corporation	\$ 17,500	\$ -	\$ 17,500	\$ -	\$ -
Kentucky Bond Corporation	215,833	-	10,000	205,833	10,000
Notes payable:					
First Kentucky Bank - General	46,627	-	6,945	39,682	7,275
First Kentucky Bank - General	-	100,000	2,984	97,016	18,559
Total Governmental Activities	<u>279,960</u>	<u>100,000</u>	<u>37,429</u>	<u>342,531</u>	<u>35,834</u>
<i><u>Business Type Activities</u></i>					
Lease payable:					
Kentucky Rural Water	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ -
Notes Payable:					
Kentucky Infrastructure Authority	188,191	-	12,798	175,393	12,894
First Kentucky Bank - Proprietary	102,168	-	22,805	79,363	24,997
Bonds Payable:					
Series 2015B	1,002,000	-	17,500	984,500	18,000
Series 2015A	3,417,000	-	65,000	3,352,000	66,500
Total Business-Type Activities	<u>4,764,359</u>	<u>-</u>	<u>173,103</u>	<u>4,591,256</u>	<u>122,391</u>
Total Primary Government	<u>\$ 5,044,319</u>	<u>\$ 100,000</u>	<u>\$ 210,532</u>	<u>\$ 4,933,787</u>	<u>\$ 158,225</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2022, are as follows:

Year Ending June 30:	Principal	Interest	Total
2023	\$ 158,225	\$ 111,990	\$ 270,215
2024	162,569	107,665	270,234
2025	168,104	103,043	271,147
2026	155,366	97,956	253,322
2027	139,828	94,517	234,345
2028-2032	649,443	428,177	1,077,620
2033-2037	692,252	351,904	1,044,156
2038-2042	655,500	272,419	927,919
2043-2047	746,000	192,668	938,668
2048-2052	848,500	101,947	950,447
2053-2055	558,000	12,611	570,611
Total	<u>\$ 4,933,787</u>	<u>\$ 1,874,897</u>	<u>\$ 6,808,684</u>

Total interest expense for the year ended June 30, 2022:

Governmental activities	\$ 24,887
Business-type activities	<u>108,851</u>
	<u>\$ 133,738</u>



**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**11. LITIGATION AND CONTINGENCIES**

**Litigation**

The City is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

**Contingencies**

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2022 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

**12. COMMITMENTS**

The City entered into a contract with Waste Path Services, LLC beginning July 1, 2018, and ending June 30, 2022. The Contractor is to provide the collection and disposal of residential and commercial garbage. The City is responsible for billing and collecting fees. Amounts collected for services, less a 7% franchise fee, will be forwarded to the Contractor. Collections are remitted monthly.

**13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES**

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Primary government operating transfers at June 30, 2022 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<b><u>General Fund</u></b>	\$ 13,165	\$ -	\$ 13,165
<b><u>Special Revenue Funds</u></b>			
Municipal Aid	5,983	-	5,983
Tourism	-	197	(197)
ABC	858	-	858
<b><u>Business-type funds</u></b>			
Water Fund	32,744	-	32,744
Sewer Fund	-	52,925	(52,925)
Internet Fund	372	-	372
Total	<u>\$ 53,122</u>	<u>\$ 53,122</u>	<u>\$ -</u>

**CITY OF GRAND RIVERS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**14. PRIOR PERIOD ADJUSTMENT**

*Correction of an Error*

The City recognized a prior period adjustment to correct beginning accumulated depreciation and capital assets. A prior period adjustment was also necessary to recognize ABC expenditures in the correct fund.

**Governmental Funds**

*Government-Wide General Fund*

Net position, July 1, 2021, as previously stated	\$ 2,009,100
Capital assets	(18,513)
Accumulated depreciation	<u>7,342</u>
Net position July 1, 2021, restated	\$ <u><u>1,997,929</u></u>

*General Fund*

Net position, July 1, 2021, as previously stated	\$ (17,286)
Reclassify ABC expenditure	<u>(25,155)</u>
Net position July 1, 2021, restated	\$ <u><u>(42,441)</u></u>

*ABC Fund*

Net position, July 1, 2021, as previously stated	\$ 8,952
Reclassify ABC expenditure	<u>25,155</u>
Net position July 1, 2021, restated	\$ <u><u>34,107</u></u>

**Proprietary Funds**

*Water Fund*

Fund balance, July 1, 2021, as previously stated	\$ 1,346,315
Capital assets	(23,756)
Accumulated depreciation	<u>2,257</u>
Fund balance July 1, 2021, restated	\$ <u><u>1,324,816</u></u>

*Sewer Fund*

Fund balance, July 1, 2021, as previously stated	\$ 4,836,831
Accumulated depreciation	<u>5,289</u>
Fund balance July 1, 2021, restated	\$ <u><u>4,842,120</u></u>

*Internet Fund*

Fund balance, July 1, 2021, as previously stated	\$ 1,930
Accumulated depreciation	<u>1,924</u>
Fund balance July 1, 2021, restated	\$ <u><u>3,854</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GRAND RIVERS, KENTUCKY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budgeted	Final Budgeted	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Taxes				
Property	\$ 240,500	\$ 240,500	\$ 273,560	\$ 33,060
Franchise and other	46,000	46,000	22,633	(23,367)
Charges for services	102,000	102,000	109,363	7,363
Miscellaneous	59,800	59,800	62,196	2,396
Rental income	10,500	10,500	11,850	1,350
Cemetery income	3,750	3,750	3,790	40
Interest income	60	60	34	(26)
Total revenues	<u>462,610</u>	<u>462,610</u>	<u>483,426</u>	<u>20,816</u>
<b><u>Expenditures</u></b>				
General government	259,100	259,100	273,628	(14,528)
Public works	85,500	85,500	113,142	(27,642)
Culture and recreation	96,260	96,260	47,760	48,500
Cemetery maintenance	11,750	11,750	7,000	4,750
Debt service	62,000	62,000	62,984	(984)
Total expenditures	<u>514,610</u>	<u>514,610</u>	<u>504,514</u>	<u>10,096</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>				
<b><u>Expenditures</u></b>	<u>(52,000)</u>	<u>(52,000)</u>	<u>(21,088)</u>	<u>30,912</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Long-term debt issued	-	-	100,000	100,000
Transfers in(out)	-	-	(13,165)	(13,165)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>86,835</u>	<u>86,835</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ (52,000)</u>	<u>\$ (52,000)</u>	65,747	<u>\$ 117,747</u>
<b><u>Fund Balances at Beginning of Year</u></b>			(17,286)	
<b><u>Prior period adjustments (See Note 14)</u></b>			(25,155)	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 23,306</u>	

**CITY OF GRAND RIVERS, KENTUCKY**  
**TOURISM SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budgeted	Final Budgeted	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Taxes	\$ 138,620	\$ 138,620	\$ 225,303	\$ 86,683
Miscellaneous	6,550	6,550	56,915	50,365
Rental income	40,000	40,000	34,000	(6,000)
Intergovernmental	2,000	2,000	14,568	12,568
Interest income	-	-	12	12
Total revenues	<u>187,170</u>	<u>187,170</u>	<u>330,798</u>	<u>143,628</u>
<b><u>Expenditures</u></b>				
Culture and recreation	<u>187,170</u>	<u>187,170</u>	<u>340,960</u>	<u>(153,790)</u>
Total expenditures	<u>187,170</u>	<u>187,170</u>	<u>340,960</u>	<u>(153,790)</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>				
<b><u>Expenditures</u></b>	-	-	(10,162)	(10,162)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>197</u>	<u>197</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>(9,965)</u>	<u>\$ (9,965)</u>
<b><u>Fund Balances at Beginning of Year</u></b>			<u>141,566</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 131,601</u>	

**COMBINING AND INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

**CITY OF GRAND RIVERS, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	Special Revenue Funds				Total Non-Major Governmental Funds
	Municipal Aid	ABC Fund	LGEA Fund	Capital Projects	
<b><u>Assets</u></b>					
Cash equivalents	\$ -	\$ 13,321	\$ -	\$ (98)	\$ 13,223
Regulatory fees receivable	-	9,455	-	-	9,455
Intergovernmental receivable	1,892	-	-	-	1,892
Due from other funds	-	12,586	-	-	12,586
<b><u>Total Assets</u></b>	<b><u>\$ 1,892</u></b>	<b><u>\$ 35,362</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (98)</u></b>	<b><u>\$ 37,156</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,860	\$ 2,860
Taxes withheld and accrued	-	473	-	-	473
Compensated absences	-	798	-	-	798
Total Liabilities	-	1,271	-	2,860	4,131
<b><u>Fund Balances</u></b>					
Assigned for					
Alcoholic beverage control	-	34,091	-	-	34,091
Capital projects	-	-	-	(2,958)	(2,958)
Restricted for					
Public works	1,892	-	-	-	1,892
Unassigned	-	-	-	-	-
Total Fund Balances	1,892	34,091	-	(2,958)	33,025
<b><u>Total Liabilities and Fund Balances</u></b>	<b><u>\$ 1,892</u></b>	<b><u>\$ 35,362</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (98)</u></b>	<b><u>\$ 37,156</u></b>

**CITY OF GRANDS RIVERS, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds				Total Other Governmental Funds
	Municipal Aid	ABC Fund	LGEA Fund	Capital Projects	
<b><u>Revenues</u></b>					
Regulatory fees	\$ -	\$ 64,438	\$ -	\$ -	\$ 64,438
Intergovernmental revenue	7,875	-	14,342	-	22,217
Total Revenues	7,875	64,438	14,342	-	86,655
<b><u>Expenditures</u></b>					
Public works	-	45,878	4,303	-	50,181
General government	-	15,718	10,039	98	25,855
Capital outlay	-	2,000	-	2,860	4,860
Total Expenditures	-	63,596	14,342	2,958	80,896
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	7,875	842	-	(2,958)	5,759
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers in (out)	(5,983)	(858)	-	-	(6,841)
<b><u>Net Change in Fund Balances</u></b>	1,892	(16)	-	(2,958)	(1,082)
<b><u>Fund Balances - Beginning of Year</u></b>	-	8,952	-	-	8,952
<b><u>Prior period adjustments (See Note 14)</u></b>	-	25,155	-	-	25,155
<b><u>Fund Balances - End of Year</u></b>	\$ 1,892	\$ 34,091	\$ -	\$ (2,958)	\$ 33,025



**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITORS' 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 Tom Moodie  
and Members of the City Council  
City of Grand Rivers, Kentucky  
Grand Rivers, 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 City of Grand Rivers, 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 Grand Rivers, Kentucky's basic financial statements, and have issued our report thereon dated December 10, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Grand Rivers, 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 Grand Rivers, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting (Item 2022-1).

**Compliance and other Matters**

As part of obtaining reasonable assurance about whether City of Grand Rivers, Kentucky's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2022-1.

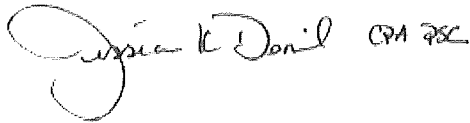
We also noted certain matters that we reported to management of the City of Grand Rivers, Kentucky, in a separate letter dated December 10, 2023.

**Response to Findings**

City of Grand Rivers, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Grand Rivers, Kentucky's response was not subjected to the auditing procedures applied in the audit of 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.

A handwritten signature in black ink that reads "Jessica K. Donil CPA 782". The signature is written in a cursive style.

Eddyville, Kentucky  
December 10, 2023

**CITY OF GRAND RIVERS, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2022-1: Segregation of Duties**

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Grand Rivers, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Grand Rivers, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements. The City also will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

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

**2021-1: Segregation of Duties**

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Grand Rivers, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Grand Rivers, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements. The City also will create or modify policies to ensure that duties are segregated wherever possible and reasonable.