

CITY OF JACKSON, KENTUCKY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

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 Jackson, Kentucky (the "City") 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison schedules for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 34-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
February 23, 2023

CITY OF JACKSON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 960,996	\$ 173,730	\$ 1,134,726
Accounts receivable	31,844	296,736	328,580
Taxes receivable	2,830	-	2,830
Due from (to) other funds	762,904	(762,904)	-
Restricted assets -			
Cash and cash equivalents	1,205,855	307,946	1,513,801
Nondepreciable capital assets	575,000	2,455,783	3,030,783
Depreciable capital assets	9,473,224	31,440,858	40,914,082
Accumulated depreciation	(7,326,544)	(16,509,900)	(23,836,444)
 Total assets	 5,686,109	 17,402,249	 23,088,358
DEFERRED OUTFLOW OF RESOURCES			
Deferred savings from debt refunding	29,400	-	29,400
Deferred outflows - pension related	283,073	149,475	432,548
Deferred outflows - OPEB related	328,678	173,557	502,235
Total deferred outflow of resources	641,151	323,032	964,183
LIABILITIES			
Accounts payable	41,919	91,102	133,021
Unearned revenue	419,473	-	419,473
Other accrued liabilities	158,016	24,709	182,725
Current portion of long-term debt	309,250	300,967	610,217
Accrued interest payable	-	10,456	10,456
Customer deposits	-	205,344	205,344
Long-term debt, net of current portion	957,750	4,657,159	5,614,909
Accrued compensated absences, noncurrent	138,095	76,844	214,939
Net pension liability, due in more than one year	1,997,423	1,054,729	3,052,152
Net OPEB liability, due in more than one year	599,626	316,630	916,256
 Total liabilities	 4,621,552	 6,737,940	 11,359,492
DEFERRED INFLOW OF RESOURCES			
Deferred inflows - pension related	322,037	170,050	492,087
Deferred inflows - OPEB related	305,221	161,170	466,391
Total deferred inflow of resources	627,258	331,220	958,478
NET POSITION			
Net investment in capital assets	1,484,080	12,428,615	13,912,695
Restricted	786,382	307,946	1,094,328
Unrestricted	(1,192,012)	(2,080,440)	(3,272,452)
 Total net position	 \$ 1,078,450	 \$ 10,656,121	 \$ 11,734,571

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 1,141,085	\$ -	\$ 272,687	\$ -	\$ (868,398)	\$ -	\$ (868,398)
Police	842,382	3,647	-	-	(838,735)	-	(838,735)
Fire	519,244	-	-	-	(519,244)	-	(519,244)
Streets	278,612	-	386,084	-	107,472	-	107,472
Sanitation	376,569	423,765	-	-	47,196	-	47,196
Tourism	3,494	-	-	-	(3,494)	-	(3,494)
Parks	547,748	60,764	-	-	(486,984)	-	(486,984)
Social service	103,815	-	-	-	(103,815)	-	(103,815)
Infrastructure depreciation	18,601	-	-	-	(18,601)	-	(18,601)
Debt service	58,768	-	-	-	(58,768)	-	(58,768)
Total governmental activities	3,890,318	488,176	658,771	-	(2,743,371)	-	(2,743,371)
Business-Type Activities							
Water	2,101,077	1,690,350	-	1,382,650	-	971,923	971,923
Sewer	825,414	741,249	-	-	-	(84,165)	(84,165)
Total business-type activities	2,926,491	2,431,599	-	1,382,650	-	887,758	887,758
Total primary government	\$ 6,816,809	\$ 2,919,775	\$ 658,771	\$ 1,382,650	\$ (2,743,371)	\$ 887,758	\$ (1,855,613)
General Revenues:							
Property and other local taxes					\$ 492,984	\$ -	\$ 492,984
Occupational license fees					1,575,977	-	1,575,977
Insurance premiums					414,551	-	414,551
Tourism tax					353,155	-	353,155
Coal/mineral severance & LGEA					6,641	-	6,641
Interest income					457	841	1,298
Other income					551,046	-	551,046
Total general revenues					3,394,811	841	3,395,652
Change in net position					651,440	888,599	1,540,039
Net position, June 30, 2021					427,010	9,767,522	10,194,532
Net position, June 30, 2022					\$ 1,078,450	\$ 10,656,121	\$ 11,734,571

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

CITY OF JACKSON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 960,996	\$ -	\$ -	\$ 960,996
Accounts receivable	31,844	-	-	31,844
Taxes receivable	2,830	-	-	2,830
Restricted-cash and cash equivalents	-	1,034,689	171,166	1,205,855
Due from other funds	762,904	-	-	762,904
Total assets	\$ 1,758,574	\$ 1,034,689	\$ 171,166	\$ 2,964,429
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 41,919	\$ -	\$ -	\$ 41,919
Unearned revenue	-	419,473	-	419,473
Accrued expenses	158,016	-	-	158,016
Total liabilities	199,935	419,473	-	619,408
Fund Balances:				
Restricted	-	615,216	171,166	786,382
Unassigned	1,558,639	-	-	1,558,639
Total fund balances	1,558,639	615,216	171,166	2,345,021
Total liabilities and fund balances	\$ 1,758,574	\$ 1,034,689	\$ 171,166	\$ 2,964,429

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

CITY OF JACKSON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance - total governmental funds	\$ 2,345,021
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$10,048,224 net of accumulated depreciation of \$7,326,544 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	2,721,680
Savings from debt refunding are not available to pay current period expenditures and therefore are not reported in the governmental funds	29,400
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	(15,507)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Debt	(1,267,000)
Accrued compensated absences	(138,095)
Net pension liability	(1,997,423)
Net OPEB liability	(599,626) (4,002,144)
Net position - governmental activities	<u>\$ 1,078,450</u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 325,655	\$ -	\$ -	\$ 325,655
Delinquent property taxes	14,539	-	-	14,539
Franchise taxes	45,503	-	-	45,503
Occupational license fees	1,575,977	-	-	1,575,977
Arrest fees, fines and forfeitures	-	-	3,647	3,647
Garbage collections	423,765	-	-	423,765
Tourism tax	353,155	-	-	353,155
Insurance premiums	414,551	-	-	414,551
Parks and recreation	-	-	60,764	60,764
Grant income	272,687	297,652	-	570,339
Coal/mineral severance & LGEA	6,641	-	-	6,641
Municipal road aid	55,460	32,972	-	88,432
Alcohol revenues	-	-	107,287	107,287
Interest income	423	34	-	457
Other income	508,445	15,486	27,115	551,046
Total revenues	<u>3,996,801</u>	<u>346,144</u>	<u>198,813</u>	<u>4,541,758</u>
Expenditures				
General government	1,106,354	-	-	1,106,354
Police	689,530	-	121,914	811,444
Fire	388,846	66,250	-	455,096
Streets	259,000	3,500	-	262,500
Sanitation	337,673	-	-	337,673
Tourism	-	3,494	-	3,494
Parks	370,270	-	67,617	437,887
Social service	3,000	100,815	-	103,815
Capital outlay	104,977	-	-	104,977
Debt service	350,450	-	-	350,450
Total expenditures	<u>3,610,100</u>	<u>174,059</u>	<u>189,531</u>	<u>3,973,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>386,701</u>	<u>172,085</u>	<u>9,282</u>	<u>568,068</u>
Other financing sources (uses):				
Transfer to other funds	-	-	-	-
Transfer from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	386,701	172,085	9,282	568,068
Fund balance, beginning of year	<u>1,171,938</u>	<u>443,131</u>	<u>161,884</u>	<u>1,776,953</u>
Fund balance, end of year	<u>\$ 1,558,639</u>	<u>\$ 615,216</u>	<u>\$ 171,166</u>	<u>\$ 2,345,021</u>

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

CITY OF JACKSON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		\$ 568,068
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(201,567)
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:		
Capitalized savings from debt refunding amortization expense		(8,400)
Accrued compensated absences		(7,823)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, OPEB, and investment experience.		
CERS contributions	87,450	
Pension and OPEB expense	<u>(86,370)</u>	1,080
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position.		<u>300,082</u>
Change in net position of governmental activities		<u><u>\$ 651,440</u></u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 148,949	\$ 24,781	\$ 173,730
Due from other funds	-	69,168	69,168
Accounts receivable - utilities	204,878	91,858	296,736
Total current assets	353,827	185,807	539,634
Restricted Assets:			
Cash and cash equivalents	197,676	110,270	307,946
Total restricted assets	197,676	110,270	307,946
Capital Assets:			
Property, plant and equipment	23,676,065	10,220,576	33,896,641
Less: Accumulated depreciation	(10,887,610)	(5,622,290)	(16,509,900)
Total capital assets - net	12,788,455	4,598,286	17,386,741
Total assets	13,339,958	4,894,363	18,234,321
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension related	122,327	27,148	149,475
Deferred outflows - OPEB related	142,034	31,523	173,557
Total deferred outflows of resources	264,361	58,671	323,032
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	65,884	25,218	91,102
Due to other funds	832,072	-	832,072
Accrued liabilities	20,957	3,752	24,709
Accrued interest payable	7,180	3,276	10,456
Current portion of debt	217,879	83,088	300,967
Total current liabilities (payable from current assets)	1,143,972	115,334	1,259,306
Current liabilities (payable from restricted assets):			
Customer deposits	205,344	-	205,344
Total current liabilities (payable from restricted assets)	205,344	-	205,344
Long-term debt, net of current portion	3,040,811	1,616,348	4,657,159
Accrued compensated absences	63,603	13,241	76,844
Net pension liability	863,161	191,568	1,054,729
Net OPEB liability	259,121	57,509	316,630
Total liabilities	5,576,012	1,994,000	7,570,012
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension related	139,164	30,886	170,050
Deferred inflows - OPEB related	131,897	29,273	161,170
Total deferred inflows of resources	271,061	60,159	331,220
NET POSITION			
Net investment in capital assets	9,529,765	2,898,850	12,428,615
Restricted	197,676	110,270	307,946
Unrestricted	(1,970,195)	(110,245)	(2,080,440)
Total net position	\$ 7,757,246	\$ 2,898,875	\$ 10,656,121

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

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Water sales	\$ 1,595,918	\$ -	\$ 1,595,918
Sewer service	-	707,296	707,296
Miscellaneous	94,432	33,953	128,385
Total operating revenues	<u>1,690,350</u>	<u>741,249</u>	<u>2,431,599</u>
OPERATING EXPENSES			
Personnel	567,189	131,193	698,382
Net pension and OPEB adjustment	(466)	(124)	(590)
Depreciation	598,374	233,057	831,431
Utilities	247,505	56,523	304,028
Supplies	426,240	282,800	709,040
Insurance	77,154	37,645	114,799
Contract labor	64,289	28,387	92,676
Miscellaneous	27,218	11,665	38,883
Total operating expenses	<u>2,007,503</u>	<u>781,146</u>	<u>2,788,649</u>
OPERATING INCOME (LOSS)	<u>(317,153)</u>	<u>(39,897)</u>	<u>(357,050)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	743	98	841
Transfer in (out)	62,500	(62,500)	-
Grant income	1,382,650	-	1,382,650
Interest expense	(93,574)	(44,268)	(137,842)
Total non-operating revenues (expenses)	<u>1,352,319</u>	<u>(106,670)</u>	<u>1,245,649</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>1,035,166</u>	<u>(146,567)</u>	<u>888,599</u>
CAPITAL CONTRIBUTIONS (TAPS)	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>1,035,166</u>	<u>(146,567)</u>	<u>888,599</u>
NET POSITION, JUNE 30, 2021	<u>6,722,080</u>	<u>3,045,442</u>	<u>9,767,522</u>
NET POSITION, JUNE 30, 2022	<u>\$ 7,757,246</u>	<u>\$ 2,898,875</u>	<u>\$ 10,656,121</u>

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

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,588,105	\$ 708,356	\$ 2,296,461
Cash payments to suppliers for goods and services	(937,381)	(126,418)	(1,063,799)
Cash payments to employees	(558,429)	(405,897)	(964,326)
Other operating revenues	94,432	33,953	128,385
Net cash provided by operating activities	<u>186,727</u>	<u>209,994</u>	<u>396,721</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Change in due to other funds	111,872	(111,872)	-
Transfers in (out)	62,500	(62,500)	-
Change in customer deposits	(9,171)	-	(9,171)
Net cash provided by (used for) non-capital financing activities	<u>165,201</u>	<u>(174,372)</u>	<u>(9,171)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(393,579)	(61,320)	(454,899)
Interest paid on long-term debt	(94,148)	(44,409)	(138,557)
Issuance of debt	-	-	-
Purchase of property, plant & equipment	(1,387,143)	-	(1,387,143)
Capital grants	1,382,650	-	1,382,650
Capital contributions	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>(492,220)</u>	<u>(105,729)</u>	<u>(597,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	743	98	841
Net cash provided by investing activities	<u>743</u>	<u>98</u>	<u>841</u>
Net increase (decrease) in cash and cash equivalents	(139,549)	(70,009)	(209,558)
Cash and cash equivalents, June 30, 2021	<u>486,174</u>	<u>205,060</u>	<u>691,234</u>
Cash and cash equivalents, June 30, 2022	<u>\$ 346,625</u>	<u>\$ 135,051</u>	<u>\$ 481,676</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (317,153)	\$ (39,897)	\$ (357,050)
Adjustments:			
Depreciation	598,374	233,057	831,431
Net pension and OPEB adjustment	(467)	(102)	(569)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(7,813)	1,060	(6,753)
Increase (decrease) in accounts payable	(94,975)	11,122	(83,853)
Increase (decrease) in other accrued liabilities	8,761	4,753	13,514
Net cash provided by operating activities	<u>\$ 186,727</u>	<u>\$ 209,993</u>	<u>\$ 396,720</u>
Reconciliation of cash			
Cash and cash equivalents	\$ 148,949	\$ 24,781	\$ 173,730
Restricted cash and cash equivalents	197,676	110,270	307,946
Total cash and cash equivalents	<u>\$ 346,625</u>	<u>\$ 135,051</u>	<u>\$ 481,676</u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 330,000	\$ (4,345)	\$ 325,655	\$ 325,655	\$ -
Delinquent taxes	6,000	14,369	20,369	14,539	(5,830)
Franchise taxes	53,000	(7,497)	45,503	45,503	-
Occupational license fee	1,346,000	229,978	1,575,978	1,575,977	(1)
Garbage collections	330,000	93,765	423,765	423,765	-
Tourism tax	325,000	128,420	453,420	353,155	(100,265)
Insurance premium tax	375,000	12,016	387,016	414,551	27,535
Grant income	95,000	207,115	302,115	328,147	26,032
Coal severance	1,000	5,641	6,641	6,641	-
Interest income	-	-	-	423	423
Other income	431,960	168,489	600,449	508,445	(92,004)
Total revenues	3,292,960	847,951	4,140,911	3,996,801	(144,110)
Expenditures					
General government	1,204,500	(108,591)	1,095,909	1,106,354	(10,445)
Police	650,000	6,115	656,115	689,530	(33,415)
Fire	300,000	121,204	421,204	388,846	32,358
Park	304,000	62,179	366,179	370,270	(4,091)
Streets	173,000	80,804	253,804	259,000	(5,196)
Sanitation	300,000	41,019	341,019	337,673	3,346
Social service	8,000	(4,000)	4,000	3,000	1,000
Capital outlay	-	104,977	104,977	104,977	-
Debt service	353,460	(3,010)	350,450	350,450	-
Total expenditures	3,292,960	300,697	3,593,657	3,610,100	(16,443)
Excess (deficiency) of revenues over (under) expenditures	-	547,254	547,254	386,701	(160,553)
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	547,254	547,254	386,701	(160,553)
Fund balance, beginning of year	-	56,493	56,493	1,171,938	1,115,445
Fund balance, end of year	\$ -	\$ 603,747	\$ 603,747	\$ 1,558,639	\$ 954,892

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Tourism tax	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance premium tax	-	-	-	-	-
Grant income	700	333	1,033	297,652	296,619
Coal severance	-	-	-	-	-
Municipal road aid	45,313	10,147	55,460	32,972	(22,488)
Interest income	-	-	-	34	34
Other income	-	-	-	15,486	15,486
Total revenues	46,013	10,480	56,493	346,144	289,651
Expenditures					
Fire	-	-	-	66,250	(66,250)
Streets	46,013	10,480	56,493	3,500	52,993
Tourism	-	-	-	3,494	(3,494)
Parks	-	-	-	-	-
Social service	-	-	-	100,815	(100,815)
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	46,013	10,480	56,493	174,059	(117,566)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	172,085	172,085
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	-	-	172,085	172,085
Fund balance, beginning of year	-	-	-	443,131	443,131
Fund balance, end of year	\$ -	\$ -	\$ -	\$ 615,216	\$ 615,216

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

CITY OF JACKSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Jackson, Kentucky (the "City") conform to U.S. generally accepted accounting principles. The following notes are an integral part of the City of Jackson, Kentucky's financial statements.

The City of Jackson, Kentucky was created by the Acts of the Kentucky General Assembly and operates under an elected Mayor and City Council form of government and provides such services as police, fire, streets, sanitation, parks and recreation, and social service.

a. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon these criteria, the City has no component units to be reported in these financial statements.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity 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 function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon

as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is a major fund.

The City reports the following major Proprietary Funds:

Water Fund - The Water Fund is used to account for water services for the City and surrounding communities.

Sewer Fund - The Sewer Fund is used to account for sewer services for the City and surrounding communities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City Utility Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Enterprise Funds, are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 they are needed.

d. Budgeting

Prior to June 30, the Mayor submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them. The Mayor is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Therefore, the level of control on budgetary items is maintained at the department level. Management is of the opinion that its method of adopting the budget is in compliance with applicable regulations.

e. Investments

Investments are carried at market value. The investment policy allows the City to invest in those instruments authorized by KRS 66.480.

f. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capitalized assets are recorded at their acquisition values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Water and Sewer Systems	40-50 years
Equipment & Vehicles	3-10 years
Buildings	40 years
Infrastructure	20 years

The City is required by GASB 34 to prospectively report general infrastructure assets in the statement of net position.

g. Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) 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;
- Committed fund balance-amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance-amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed and assigned resources first, then unassigned resources as they are needed.

h. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments (including restricted cash) with a maturity of three months or less when purchased to be cash equivalents.

i. Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

k. Pension and OPEB

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources, and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the pension and OPEB plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

l. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension costs. Actual results could differ from estimated amounts.

m. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers or as reimbursements of expenses, when applicable.

n. Interfund Receivables (Payables)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds."

o. New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Adoption of the provisions of this statement did not have a material effect on the City's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions of this statement did not have a material effect on the City's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (“GASB 92”). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the City's financial statements. Adoption of the provisions of this statement did not have a material effect on the City's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the City beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* (“GASB 99”), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
 - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
 - 87, Leases,
 - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
 - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates are effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2022, and for all reporting periods thereafter. Requirements related to other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions required upon issuance of this statement did not have a material effect on the City's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which

supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

(2) CASH AND INVESTMENTS

Deposits - The funds of the City must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2022, the carrying amount of the City's deposits (including amounts in restricted asset accounts) was \$2,648,527 and the bank balances totaled \$2,670,881. The difference between the carrying amounts and the bank balances was due to items in transit. Of the bank balances, \$602,251 was covered by the Bank Insurance Fund as of June 30, 2022 and the remainder was collateralized by pledge securities.

Restricted Cash - The Jackson Municipal Waterworks System is required to maintain restricted bank accounts in accordance with ordinances established in connection with the sale of the Waterworks debt issues of 2010, 2012, 2013, 2017, 2018, and 2019B. Specified amounts of current operating receipts are to be deposited to the restricted bank accounts monthly. Disbursements from the accounts are restricted as specified to the retirement of outstanding bonds, semiannual interest payments, and utility plant additions or replacements.

Investments - At June 30, 2022, the City had the following investments that were considered cash equivalents and maturities:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government					
Mutual funds	\$ 102,251	\$ 102,251	\$ -	\$ -	\$ -

Interest Rate Risk. 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. The City may invest the monies in interest-bearing bonds of any county, urban-county government or city of the first, second, or third class in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895.

(3) PROPERTY TAXES

Property is assessed at its value on January 1 of each year. Taxes are payable in one installment on or before January 31 of the next year. The City bills and collects its own property taxes.

The 2022 assessed value for real and tangible property was \$118,173,868. The tax rate adopted was \$.283 and \$.283 per \$100 valuation for real and tangible property, respectively.

(4) CAPITAL ASSETS

A summary of changes in the City's capital assets is as follows:

	June 30, 2021	Increases	Decreases	June 30, 2022
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 575,000	\$ -	\$ -	\$ 575,000
Capital Assets, Depreciated:				
City Hall	1,178,137	-	-	1,178,137
Administrative office & equipment	26,760	-	-	26,760
Infrastructure	366,021	-	-	366,021
Street equipment	352,176	12,550	-	364,726
Fire equipment & vehicles	1,563,265	71,221	-	1,634,486
Fire department buildings	776,431	-	-	776,431
Parks and recreation	3,936,516	-	-	3,936,516
Sanitation equipment	600,564	-	-	600,564
Police equipment & vehicles	568,377	21,206	-	568,377
Totals	9,943,247	104,977	-	10,048,224
Less: Accumulated Depreciation	(7,020,000)	(306,544)	-	(7,326,544)
Governmental Activities				
Capital Assets, Net	<u>\$ 2,923,247</u>	<u>\$ (201,567)</u>	<u>\$ -</u>	<u>\$ 2,721,680</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 536,862	\$ -	\$ -	\$ 536,862
Construction in progress	1,918,841	1,387,142	2,812,387	493,596
Capital Assets, Depreciated:				
Distribution plant and equipment	28,232,003	2,812,387	-	31,044,390
Machinery and equipment	1,821,793	-	-	1,821,793
Totals	32,509,499	4,199,529	2,812,387	33,896,641
Less: Accumulated Depreciation	(15,678,469)	(831,431)	-	(16,509,900)
Business-type Activities				
Capital Assets, Net	<u>\$ 16,831,030</u>	<u>\$ 3,368,09</u>	<u>\$ 2,812,387</u>	<u>\$17,386,741</u>

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

Governmental activities:	
General government	\$ 27,988
Police	30,938
Fire	64,148
Street	16,112
Sanitation	38,896
Park	109,861
Infrastructure	18,601
	<u>\$ 306,544</u>
Business-type activities:	
Water	\$ 598,374
Sewer	233,057
	<u>\$ 831,431</u>

(5) LONG-TERM DEBT

Business-Type Activities

Long-term debt of Proprietary Funds at June 30, 2022 consists of the following:

Bonds Payable:

\$650,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2016, payable in annual installments ranging from \$11,500 to \$24,500 through 2056, with interest paid semi-annually at 2.0%

\$ 603,000
603,000

Capital Lease Obligation:

\$450,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments of \$3,514 through November, 2022, with interest at 3.82%

16,815

\$890,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2040, with interest at rates ranging from 1.1% to 4.7%

652,500

\$465,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2038, with interest at 3.125%

269,583

\$2,825,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through January, 2040, with interest at 2.25%

2,423,750
3,362,648

Installment Notes Payable:

\$1,500,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments in the amount of \$39,789 through 2030 with interest paid semi-annually at 1.0%

326,866

\$700,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual variable installments with interest paid semi-annually at 1.0%, maturing December, 2034

408,382

\$593,000 subordinated assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual variable installments through 2038 with interest paid semi-annually at .25%

252,964

6.00% loan agreement with a local bank, \$52,520 with monthly fixed payments of \$995 through March, 2023, secured by a jetter

4,266
992,478

Total long-term debt - proprietary funds 4,958,126

Less - current portion

(300,967)
\$ 4,657,159

The debt service requirements on the above proprietary fund indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 300,967	\$ 120,005	\$ 420,972
2024	283,495	113,607	397,102
2025	288,862	107,862	396,724
2026	295,407	101,882	397,289
2027	298,704	92,914	391,618
2028-2032	1,404,009	374,829	1,778,838
2033-2037	1,134,110	224,163	1,358,273
2038-2042	652,072	110,523	762,595
2043-2047	97,500	26,250	123,750
2048-2052	108,000	16,060	124,060
2053-2056	95,000	4,800	99,800
	<u>\$ 4,958,126</u>	<u>\$1,292,895</u>	<u>\$ 6,251,021</u>

The Rural Development revenue bonds require annual deposits to the reserve account of approximately \$2,520 to attain a balance of \$5,040 as of June 30, 2022. The balance of this reserve at June 30, 2022 was \$6,360. The 2018 KIA loan requires annual deposits to the reserve account of \$1,750 starting January 1, 2018 to attain a balance of \$30,000. The 2013 KIA loan requires annual deposits to the reserve account of \$1,750 starting December 1, 2015 to attain a balance of \$17,500. The 2010 KIA loan requires annual deposits to the reserve account of \$3,750 starting December 1, 2011 to attain a balance of \$37,500. The City had \$74,535 of KIA reserve funds at June 30, 2022.

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
<u>Governmental Activities</u>				
Capital lease obligation with Kentucky League of Cities, \$3,385,000 with monthly payments through January, 2027, secured by general obligations	\$ 1,552,082	\$ -	\$ 297,082	\$ 1,255,000
Interest-free note payable to Breathitt County Health Department, \$42,000 due in annual installments of \$3,000 through July, 2026, parking lot	15,000	-	3,000	12,000
Net pension liability	2,372,284	-	374,861	1,997,423
Net OPEB liability	746,638	-	147,012	599,626
Compensated absences	<u>130,272</u>	<u>7,823</u>	<u>-</u>	<u>138,095</u>
	<u>\$ 4,816,276</u>	<u>\$ 7,823</u>	<u>\$ 821,955</u>	<u>\$ 4,002,144</u>
<u>Business-type Activities</u>				
Notes payable	\$ 1,289,557	\$ -	\$ 297,079	\$ 992,478
Capital lease obligation	3,576,198	-	213,550	3,362,648

Bonds payable	615,000	-	12,000	603,000
Net pension liability	1,252,672	-	197,943	1,054,729
OPEB liability	394,258	-	77,628	316,630
Compensated absences	66,767	10,077	-	76,844
Total Business-type Activities	<u>\$ 7,194,452</u>	<u>\$ 10,077</u>	<u>\$ 798,200</u>	<u>\$ 6,406,329</u>

Governmental Activities

The total governmental activities long-term debt is as follows:

Current portion - City of Jackson	\$ 309,250
Long-term portion	957,750
Total	<u>\$ 1,267,000</u>

The annual requirements to amortize the City's indebtedness as of June 30, 2022 (including interest payments) are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 309,250	\$ 41,240	\$ 350,490
2024	324,250	31,286	355,536
2025	337,165	20,843	358,008
2026	240,915	9,983	250,898
2027	55,420	2,055	57,475
	<u>\$ 1,267,000</u>	<u>\$ 105,409</u>	<u>\$ 1,372,409</u>

(6) LEGAL CONTINGENCIES

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position or results of operations.

(7) RISK MANAGEMENT

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(8) RETIREMENT PLAN

County Employees Retirement System

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

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2022, employers were required to contribute 26.95% (21.17% - pension, 5.78% - insurance) of the member's salary. During the year ending June 30, 2022, the City contributed \$299,793 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2022, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2021. At June 30, 2021, the City's proportion was 0.047871%.

For the year ended June 30, 2022, the City recognized pension expense of \$297,111. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,048	\$ 29,623
Changes of assumptions	40,964	-
Net difference between projected and actual earnings on pension plan investments	-	406,801
Changes in proportion and differences between City's contributions and proportionate share of contributions	56,743	55,663
City's contributions subsequent to the measurement date	299,793	-
Total	<u>\$ 432,548</u>	<u>\$ 492,087</u>

At June 30, 2022, the City reported deferred outflows of resources for the City contributions subsequent to the measurement date of \$299,793. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	
2023	\$ (54,662)
2024	(86,989)
2025	(90,293)
2026	(127,388)
	<u>\$ (359,332)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
Total	<u>100.00%</u>	5.00%

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$ 3,914,529	\$ 3,052,152	\$ 2,338,554

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

Payables to the pension plan: At June 30, 2022, there was a payable to the CERS Pension Plan of \$29,863.

(9) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN

County Employees Retirement System

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2022, CERS allocated 5.78% of the 26.95% actuarially required

contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2022, the City contributed \$81,852 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2022, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2021. At June 30, 2021, the City's proportion was 0.04786%.

For the year ended June 30, 2022, the City recognized OPEB expense of \$109,979, including an implicit subsidy of \$27,091. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,081	\$ 273,563
Changes of assumptions	242,917	852
Net difference between projected and actual earnings on investments	-	143,335
Changes in proportion and differences between City contributions and proportionate share of contributions	33,385	48,641
City contributions subsequent to the measurement date	81,852	-
	<u>\$ 502,235</u>	<u>\$ 466,391</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$81,852 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2023	\$ 14,571
2024	(7,191)
2025	(3,269)

2026	(50,119)
Thereafter	-
	<u>\$ (46,008)</u>

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

Assumption Changes - The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
Total	<u>100.00%</u>	5.00%

Discount rate - The discount rate used to measure the total OPEB liability was 5.20%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease (4.20%)</u>	<u>Current discount rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
City's proportionate share of the net OPEB liability	\$ 1,258,012	\$ 916,256	\$ 635,788

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 659,595	\$ 916,256	\$ 1,226,049

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

Payables to the OPEB plan: At June 30, 2022, there was a payable to the CERS OPEB Plan of \$8,155.

(10) INTERFUND TRANSACTIONS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 720,200
Sewer Fund	Water Fund	111,872
General Fund	Sewer Fund	42,704

In addition, the General Fund refinanced debt of the Water and Sewer Funds in 2006 for which the Water Fund is paying \$6,170.75/month and the Sewer Fund is paying \$5,890.67/month to the General Fund for their portion of the debt service which offsets debt service expense. On July 3, 2020, the City entered into a loan agreement with the Water Fund in the amount of \$79,000. The balance of this loan at June 30, 2022 was \$73,800 and included in the due to/from balances of the respective funds.

(11) CONTINGENCY

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which could negatively impact future revenues. Other financial impact could occur, but such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Pension:								
City's proportion of the net pension liability	0.047871%	0.047262%	0.049844%	0.466620%	0.049515%	0.052896%	0.058417%	0.052225%
City's proportionate share of the net pension liability	\$ 3,052,152	\$ 3,624,956	\$ 3,505,551	\$ 2,841,858	\$ 2,898,265	\$ 2,604,411	\$ 2,511,669	\$ 1,694,000
City's covered-employee payroll	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.612%	300.287%	266.612%	245.233%	246.612%	206.403%	188.664%	141.389%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
OPEB:								
City's proportion of the net OPEB liability	0.047860%	0.047248%	0.049831%	0.046661%	0.049515%			
City's proportionate share of the net OPEB liability	\$ 916,256	\$ 1,140,896	\$ 838,135	\$ 828,457	\$ 995,421			
City's covered-employee payroll	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233			
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	74.934%	94.510%	63.744%	71.490%	84.700%			
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pension:									
Contractually required contribution	\$ 299,793	\$ 235,992	\$ 232,983	\$ 213,269	\$ 167,811	\$ 163,945	\$ 156,717	\$ 169,739	\$ 164,621
Contributions in relation to the contractually required contribution	<u>299,793</u>	<u>235,992</u>	<u>232,983</u>	<u>213,269</u>	<u>167,811</u>	<u>163,945</u>	<u>156,717</u>	<u>169,739</u>	<u>164,621</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,553,332	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's contributions as a percentage of its covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:									
Contractually required contribution	\$ 81,852	\$ 58,203	\$ 57,461	\$ 69,169	\$ 54,455	\$ 55,589			
Contributions in relation to the contractually required contribution	<u>81,852</u>	<u>58,203</u>	<u>57,461</u>	<u>69,169</u>	<u>54,455</u>	<u>55,589</u>			
Contribution deficiency (excess)	-	-	-	-	-	-			
City's covered-employee payroll	\$ 1,553,332	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233			
City's contributions as a percentage of its covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF JACKSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

(1) CHANGES OF ASSUMPTIONS

CERS - Pension

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

CERS - Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.33% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

CERS - Pension

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll

Remaining Amortization Period	30 years, closed (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
Mortality	System specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019

CERS - Insurance Fund

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

Valuation Date	June 30, 2020
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuations and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.
Mortality	System-specific mortality table on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

CERS - Pension

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

CERS - Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

SUPPLEMENTARY INFORMATION

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

	Park	Shop With A Cop	ABC Account	Police Grants	Total Non-Major Governmental Funds
Assets					
Cash and cash equivalents	\$ 20,838	\$ 23,554	\$ 79,055	\$ 47,719	\$ 171,166
Total assets	<u>\$ 20,838</u>	<u>\$ 23,554</u>	<u>\$ 79,055</u>	<u>\$ 47,719</u>	<u>\$ 171,166</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	20,838	23,554	79,055	47,719	171,166
Total fund balances	<u>20,838</u>	<u>23,554</u>	<u>79,055</u>	<u>47,719</u>	<u>171,166</u>
Total liabilities and fund balances	<u>\$ 20,838</u>	<u>\$ 23,554</u>	<u>\$ 79,055</u>	<u>\$ 47,719</u>	<u>\$ 171,166</u>

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

	Park	Shop With A Cop	ABC Account	Police Grants	Total Non-Major Governmental Funds
Revenues					
Arrest fees, fines and forfeitures	\$ -	\$ -	\$ -	\$ 3,647	\$ 3,647
Parks and recreation	60,764	-	-	-	60,764
Grant income	-	-	-	-	-
Alcohol revenue	-	-	107,287	-	107,287
Other income	-	27,115	-	-	27,115
Total revenues	<u>60,764</u>	<u>27,115</u>	<u>107,287</u>	<u>3,647</u>	<u>198,813</u>
Expenditures					
Police	-	17,499	100,431	3,984	121,914
Parks	67,617	-	-	-	67,617
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>67,617</u>	<u>17,499</u>	<u>100,431</u>	<u>3,984</u>	<u>189,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,853)</u>	<u>9,616</u>	<u>6,856</u>	<u>(337)</u>	<u>9,282</u>
Other financing sources (uses):					
Transfer from other funds	-	-	-	-	-
Proceeds from debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,853)	9,616	6,856	(337)	9,282
Fund balance, beginning of year	<u>27,691</u>	<u>13,938</u>	<u>72,199</u>	<u>48,056</u>	<u>161,884</u>
Fund balance, end of year	<u>\$ 20,838</u>	<u>\$ 23,554</u>	<u>\$ 79,055</u>	<u>\$ 47,719</u>	<u>\$ 171,166</u>

CITY OF JACKSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Transportation</u>				
Passed Through the Kentucky Office of Highway Safety -				
Dept of State Police Highway Safety Program	20.600	KY0033604	\$ -	\$ 7,293
Total U.S. Department of Transportation			-	7,293
<u>U.S. Department of Agriculture</u>				
Passed through Rural Development -				
Community Facilities Grant	10.766	20-013 (Tahoe)	-	40,000
Community Facilities Grant	10.766	20-013 (Chargers)	-	50,000
Community Facilities Grant	10.766	20-013 (Garbage Truck)	-	112,600
Total U.S. Department of Agriculture			-	202,600
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Kentucky Department for Local Government:				
Community Development Block Grant	14.228	Waterline Extension - 19-021	-	778,791 *
Total U.S. Department of Housing and Urban Development			-	778,791
<u>Appalachian Regional Commission</u>				
Passed Through Kentucky Department for Local Government:				
Appalachian Regional Commission	23.002	Waterline Extension - 19-021	-	603,342 *
Total Appalachian Regional Commission			-	603,342
<u>U. S. Department of Treasury</u>				
Passed Through Kentucky Department for Local Government:				
American Rescue	21.027	C064	-	91,494
Total U.S. Department of Treasury			-	91,494
<u>U. S. Department of Homeland Security</u>				
Passed Through Kentucky Emergency Management:				
FEMA	97.036	FEMA-4595-Dr-KY	-	229,253
Total U.S. Department of Homeland Security			-	229,253
Total Expenditures of Federal Awards			\$ -	\$ 1,912,773

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson under the programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Jackson, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The City of Jackson has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson (the "City") 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, and have issued our report thereon dated February 23, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2022-001 and 2022-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the

financial statements. 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 matter that is required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
February 23, 2023




Kelley **G**alloway
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Jackson's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements

of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit

we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
February 23, 2023

CITY OF JACKSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified?

X Yes No

☐ Significant deficiency(ies) identified?

Yes X None reported

Noncompliance material to the
financial statements noted?

Yes X No

Federal Awards

Internal control over major federal programs:

☐ Material weakness(es) identified?

Yes X No

☐ Significant deficiency(ies) identified?

Yes X None reported

Type of auditor's report issued on
compliance for major federal programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

Yes X No

Identification of Major Programs:
Community Development Block Grant
Appalachian Regional Commission

Asset Listing No.
14.228
23.002

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes X No

CITY OF JACKSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

B. FINANCIAL STATEMENT FINDINGS

2022-001 PAYABLES AND RECEIVABLES

Statement of Condition: The City maintains their financial records on a cash basis; therefore, we had several audit adjustments related to unrecorded accounts payable, accrued liabilities, and accounts receivable at June 30, 2022.

Criteria for Condition: Modified accrual or accrual (for Proprietary Fund Types) basis of accounting is recommended by the American Institute of Certified Public Accountants in its industry audit guide, "Audits of State and Local Governmental Units."

Cause of Condition: The City currently maintains its accounting records on the cash basis of accounting.

Effect of Condition: As a result, financial statements prepared during the year could be misleading.

Recommendation for Correction: We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

Management Response and Corrective Action Plan: The City will provide a list of vendors and amounts due to them as of June 30, 2022 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.

2022-002 BANK RECONCILIATIONS

Statement of Condition: We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

Criteria for Condition: Performing timely and accurate bank reconciliations provide for more accurate financial statements.

Cause of Condition: Personnel do not investigate outages or old outstanding items on a timely basis.

Effect of Condition: Inaccurate bank reconciliations.

Recommendation for Correction: We recommend that any bank reconciliation outages be investigated until found each month. Also, any outstanding items that have been outstanding for more than 90 days should be investigated further. In addition, the Mayor should start reviewing and initialing all bank reconciliations to ensure that they are being prepared properly.

Management's Response and Corrective Action Plan: The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted in current year.

CITY OF JACKSON
333 Broadway
Jackson, KY 41339
Phone: 606-666-7069 Fax: 606-666-7046

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	The City will provide a list of vendors and amounts due to them as of June 30, 2023 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.	Immediately	Laura Thomas, Mayor
2022-002	The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.	Immediately	Laura Thomas, Mayor

CITY OF JACKSON
333 Broadway
Jackson, KY 41339
Phone: 606-666-7069 Fax: 606-666-7046

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Findings

Findings/Noncompliance

2021-001

We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

Status: This was repeated as 2022-001 in the current year.

2021-002

We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

Status: This was repeated as 2022-002 in the current year.

2021-003

We noted that August 2020's garbage collections had not been transferred from the Water Fund to the General Fund as of year-end.

Status: This was corrected in the current year.