ELECTRIC PLANT BOARD OF THE CITY OF VANCEBURG, KENTUCKY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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Kelley Galloway Smith Goolsby, PSC
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INDEPENDENT AUDITOR'S REPORT

Board Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Electric Plant Board of the City of Vanceburg, Kentucky, a component unit of the City of Vanceburg, Kentucky, (the "Board") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric Plant Board of the City of Vanceburg, Kentucky as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Board's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 27 through 31 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 in 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of the Board'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 Board'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 Board's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
September 28, 2021

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
ASSETS			
Current assets-			
Unrestricted:			
Cash	$ 2,020,950	$ 85,503	$ 2,106,453
Customer accounts receivable, net	679,722	233,055	912,777
Other accounts receivable	408,125	-	408,125
Interfund receivables	1,740,901	-	1,740,901
Accrued interest receivable	1,315	-	1,315
Prepaids	11,248	-	11,248
Supplies inventories	353,908	96,684	450,592
Total unrestricted current assets	5,216,169	415,242	5,631,411
Restricted:			
Cash	2,534,512	1,226,890	3,761,402
Total restricted current assets	2,534,512	1,226,890	3,761,402
Total current assets	7,750,681	1,642,132	9,392,813
Capital assets:			
Land	36,134	192,486	228,620
Structures and improvements	742,615	574,456	1,317,071
Utility plant	10,784,220	23,956,713	34,740,933
Machinery and equipment	2,052,118	1,179,784	3,231,902
Construction in progress	-	60,000	60,000
	13,615,087	25,963,439	39,578,526
Less: Accumulated depreciation	(7,763,274)	(12,285,593)	(20,048,867)
Capital assets, net	5,851,813	13,677,846	19,529,659
Total assets	13,602,494	15,319,978	28,922,472
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related	248,080	305,395	553,475
Deferred OPEB related	198,301	244,115	442,416
Total deferred outflows of resources	446,381	549,510	995,891
Total assets and deferred outflows of resources	$ 14,048,875	$ 15,869,488	$ 29,918,363

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONCLUDED)
JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
LIABILITIES			
Current liabilities-			
Unrestricted:			
(payable from current assets)			
Accounts payable	$ 420,089	$ 35,049	$ 455,138
Accrued payroll and payroll items	82,268	100,851	183,119
Interfund payable	-	1,740,901	1,740,901
Other accrued liabilities	42,774	3,770	46,544
Total unrestricted current liabilities (payable from current assets)	545,131	1,880,571	2,425,702
Restricted:			
(payable from restricted assets)			
Customer deposits	-	60,180	60,180
Accrued interest payable	8,673	23,592	32,265
Current portion of long-term debt obligations	272,967	276,115	549,082
Total restricted current liabilities (payable from restricted assets)	281,640	359,887	641,527
Total current liabilities	826,771	2,240,458	3,067,229
Long-term debt obligations, less current portion, net of discount	2,033,073	4,545,951	6,579,024
Net pension liability	1,299,225	1,599,390	2,898,615
Net OPEB liability	408,912	503,384	912,296
Total non-current liabilities	3,741,210	6,648,725	10,389,935
Total liabilities	4,567,981	8,889,183	13,457,164
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related	36,897	45,422	82,319
Deferred OPEB related	84,525	104,052	188,577
Total deferred inflows of resources	121,422	149,474	270,896
NET POSITION			
Net investment in capital assets	3,545,773	8,855,780	12,401,553
Restricted for debt retirement	2,499,837	1,130,429	3,630,266
Restricted for other purposes	26,002	72,869	98,871
Unrestricted	3,287,860	(3,228,247)	59,613
Total net position	9,359,472	6,830,831	16,190,303
Total liabilities, deferred inflows of resources, and net position	$ 14,048,875	$ 15,869,488	$ 29,918,363

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
OPERATING REVENUES			
Sales of light and power	$ 6,856,332	$ -	$ 6,856,332
Sales of gas, water and sewer	-	2,196,425	2,196,425
Total operating revenues	6,856,332	2,196,425	9,052,757
OPERATING EXPENSES			
Cost of purchased power	4,597,354	-	4,597,354
Cost of purchased natural gas	-	495,292	495,292
Maintenance, operations and administration	1,480,579	1,558,656	3,039,235
Depreciation	254,883	571,088	825,971
Total operating expenses	6,332,816	2,625,036	8,957,852
Operating income (loss)	523,516	(428,611)	94,905
NON-OPERATING REVENUES (EXPENSES)			
Interest income	8,050	1,367	9,417
Interest expense	(73,271)	(131,714)	(204,985)
Fiduciary fees	(6,471)	-	(6,471)
Total non-operating revenue (expense)	(71,692)	(130,347)	(202,039)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	451,824	(558,958)	(107,134)
Capital contributions	10,900	13,100	24,000
Transfers Out	(310,800)	(139,440)	(450,240)
CHANGE IN NET POSITION	151,924	(685,298)	(533,374)
NET POSITION, JUNE 30, 2020	9,207,548	7,516,129	16,723,677
NET POSITION, JUNE 30, 2021	$ 9,359,472	$ 6,830,831	$ 16,190,303

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

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 7,289,669	$ 2,090,746	$ 9,380,415
Payments to suppliers	(5,330,284)	(743,168)	(6,073,452)
Payments to employees and related benefits	(795,214)	(889,762)	(1,684,976)
Net cash provided by operating activities	1,164,171	457,816	1,621,987
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers out	(310,800)	(139,440)	(450,240)
Net cash used in non-capital financing activities	(310,800)	(139,440)	(450,240)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term debt	-	-	-
Principal payments on long-term debt	(261,250)	(277,884)	(539,134)
Interest payments	(74,662)	(131,054)	(205,716)
Fiduciary fees	(6,471)	-	(6,471)
Capital purchases	(46,644)	(25,000)	(71,644)
Capital contributions	10,900	13,100	24,000
Net cash used in capital and related financing activities	(378,127)	(420,838)	(798,965)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	8,482	1,367	9,849
Net cash provided by investing activities	8,482	1,367	9,849
Increase (decrease) in cash and cash equivalents	483,726	(101,095)	382,631
Cash and cash equivalents, June 30, 2020	4,071,736	1,413,488	5,485,224
Cash and cash equivalents, June 30, 2021	$ 4,555,462	$ 1,312,393	$ 5,867,855

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
Reconciliations of operating income (loss) to net cash provided by operating activities -	Electric Fund	Gas, Water and Sewer Fund	Total
Operating income (loss)	$ 523,516	$ (428,611)	$ 94,905
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities -			
Depreciation	254,883	571,088	825,971
Net pension adjustment	112,894	180,597	293,491
Net OPEB adjustment	22,696	39,566	62,262
Changes in assets and liabilities -			
Customer accounts receivable	51,858	(20,138)	31,720
Other accounts receivable	381,479	-	381,479
Interfund receivable	(199,673)	-	(199,673)
Prepaid insurance	(11,248)	-	(11,248)
Supplies inventories	(2,988)	(12,986)	(15,974)
Accounts payable	36,523	1,858	38,381
Interfund payable	-	199,673	199,673
Accrued payroll and payroll liabilities	10,316	12,548	22,864
Other accrued liabilities	(16,085)	(238)	(16,323)
Deposits	-	(85,541)	(85,541)
Total adjustments	640,655	886,427	1,527,082
Net cash provided by operating activities	$ 1,164,171	$ 457,816	$ 1,621,987
Reconciliation of cash:			
Cash	$ 2,020,950	$ 85,503	$ 2,106,453
Restricted cash	2,534,512	1,226,890	3,761,402
Total cash and cash equivalents	$ 4,555,462	$ 1,312,393	$ 5,867,855

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Electric Plant Board of the City of Vanceburg, Kentucky (the "Board"), a discretely presented component unit of the City of Vanceburg, Kentucky is presented to assist in understanding the Board's financial statements. The financial statements and notes are representations of the Board's management, who are responsible for their integrity and objectivity. These accounting policies, as applied to the aforementioned financial statements, conform to generally accepted accounting principles applicable to governmental units.

Reporting Entity

The Board was created pursuant to an ordinance adopted by the City Council of the City of Vanceburg, Kentucky ("City") on July 11, 1939. The Board was reorganized by additional ordinances dated February 4, 1964 and July 1, 1995, and provides electric, water, gas and sewer services to the Citizens of Vanceburg, Kentucky and surrounding areas. The Board is a component unit of the City, and as such, the City is the primary government in whose financial reporting entity the Board is included.

Basic Financial Statements

Basic financial statements consist of the following:

- Fund financial statements and
- Notes to the basic financial statements.

Measurement Focus Basis of Accounting and Financial Statement Presentation

The account classification structures used by the Board conform to accounting principles generally accepted in the United States of American consistent with governmental enterprise fund accounting. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounts of the Board are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Board reports the following major proprietary funds:

- The Electric Fund accounts for the activities of providing electric service to the citizens of the City and surrounding areas.

- The Gas, Water and Sewer Fund accounts for the activities of providing gas, water and sewer service to the citizens of the City and surrounding areas.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

Assets, Liabilities and Net Position

Cash and Investments

In accordance with state requirements, the Board has adopted an investment policy that, among other things, authorizes types and concentrations of investments and maximum investment terms.

Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of deposits (or time deposits) placed with commercial banks and/or savings and loan associations
- Shares of money market funds.

Investments in certificates of deposits are stated at cost, which approximates market value. For purposes of the statement of cash flows, the Board has defined cash and cash equivalents to be change and petty cash funds, checking accounts, time deposits, and certificates of deposits.

Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund receivables/interfund payables*, i.e., the current portion of interfund loans, or *advances to/from other funds*, and the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as *interfund receivables/interfund payables*.

The Board's employees read meters to measure customer consumption of electric, gas, sewer and water in the middle of the month. Estimates for unbilled receivables were based on consumption for the meter reading period immediately following the year end. This usage was prorated for the number of days within the fiscal year and multiplied by the appropriate rates. The allowance for doubtful accounts is estimated using accounts receivable past due more than 60 days.

All customer receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2021, the allowance for uncollectible accounts was $125,000.

Unbilled service receivables are not accrued at year-end.

Inventories

All materials and supplies inventories are valued at cost using the average-cost method.

Restricted Assets

Certain proceeds of the Board's bond obligations, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. In the absence of specific statutory provisions governing the issuance of bonds, these bond monies may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Board's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the Board's general investment policy.

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

Capital Assets

Capital assets, which include land, structures, and improvements, equipment, and utility plant are reported in the financial statements. Such assets are recorded at historical cost. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized and are expensed currently.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Board are depreciated using a straight-line method over the following estimated useful lives:

Assets	Years
Structures and improvements	20-50
Utility plant	10-50
Machinery and equipment	05-10

Depreciation expense charged to operations during the year ended June 30, 2021 was $825,971.

Long-Term Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Initial issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. There was no capitalized interest recorded for the year ended June 30, 2021. Current year interest expense was $204,985.

Encumbrances

The Board does not use a system of encumbrances in their accounting and reporting methods.

Capital Grants/Contributions

Grants that are restricted to the purchase of property, plant and equipment are recorded as other income, per GASB 33. The Board received no capital grants for the year ended June 30, 2021.

Gas, water and sewer tap fees are also recorded as capital contribution income, per GASB 33. These fees represent the increased value in property, plant and equipment resulting from the addition of customers to the utility distribution systems. The total amount of tap fees was $24,000 for the year ended June 30, 2021.

Net Position and Fund Equity

In the proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Board (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The Board's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred. There were no bond issuance costs for the year ended June 30, 2021.

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 that time.

Pension and Other Post-Employment Benefits (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.

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the basic financial statements and accompanying disclosures. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the Board beginning with its year ending June 30, 2021. The adoption of this standard did not have a material effect on the Board's financial statements.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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. The requirements of this Statement will be effective for the Board beginning with its year ending June 30, 2022. Early application is permitted. Management is currently evaluating the impact of this Statement on its 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 Board beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its 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 Board beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the Board's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its 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 Board beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

(2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned, or the Board will not be able to recover collateral securities in the possession of an outside party. The Board's policies for deposits and investments are based on statutes and are summarized below.

Kentucky Revised Statute 66.480 authorizes the Board to invest in obligations of the United States and its agencies; certificates of deposit or interest-bearing accounts at banks or savings and loan institutions insured by the FDIC; uncollateralized certificates of deposit, bankers acceptances, or commercial paper issued by any bank or savings and loan institution rated in the highest three categories by a nationally recognized rating agency; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies; securities issued by a state or local government or their agencies rated in the highest three categories by a nationally recognized rating agency; and shares in mutual funds under certain conditions.

At June 30, 2021, the carrying amount of the Board's deposits with financial institutions, including petty cash, was $5,867,855, and the bank balance was $5,892,385. Of the bank balance, $750,000 was covered by federal depository insurance, $3,771,525 was collateralized by securities held by the pledging financial institution's trust department or agent in the board's name, and $1,370,860 was collateralized by a letter of credit in the bank's name with another independent bank with the Board listed as the Beneficiary.

(3) CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2021 were as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Nondepreciable assets:				
Land	$ 228,620	$ -	$ -	$ 228,620
Construction in progress	60,000	-	-	60,000
Total	288,620	-	-	288,620
Depreciable assets:				
Structures and improvements	1,317,071	-	-	1,317,071
Utility plant	34,740,933	-	-	34,740,933
Machinery and equipment	3,160,258	71,644	-	3,231,902
Total	39,218,262	71,644	-	39,289,906
Total capital assets	39,506,882	71,644	-	39,578,526
Less: accumulated depreciation for:				
Structures and improvements	(357,006)	(28,857)	-	(385,863)
Utility plant	(16,111,103)	(727,096)	-	(16,838,199)
Machinery and equipment	(2,754,787)	(70,018)	-	(2,824,805)
Total accumulated depreciation	(19,222,896)	(825,971)	-	(20,048,867)
Capital assets, net	$ 20,283,986	$ (754,327)	$ -	$ 19,529,659

Depreciation expense was charged to operations as follows:

Electric Fund	$ 254,883
Gas, Water and Sewer fund	571,088
	$ 825,971

(4) TRANSFERS

Payments in lieu of taxes and other payments as permitted by KRS 96.810 by the Electric Fund and the Gas, Water and Sewer Fund have been classified in the Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds as transfers from these funds to the City as follows:

Electric fund	$ 310,800
Gas, water and sewer fund	139,440
	$ 450,240

(5) LONG-TERM DEBT

The following is a summary of changes in long-term liabilities reported in financial statements for the year ended June 30, 2021:

	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable:					
Gas, water and sewer fund	$ 3,399,000	$ -	$ 155,000	$ 3,244,000	$ 160,083

Less: Discounts on bonds	(29,938)	-	(1,529)	(28,409)	-
	3,369,062	-	153,471	3,215,591	160,083
Loans payable:					
Electric fund	2,408,333	-	224,167	2,184,166	234,167
Gas, water and sewer fund	1,729,359	-	122,884	1,606,475	116,032
	4,137,692	-	347,051	3,790,641	350,199
Capital Lease:					
Electric fund	158,957	-	37,083	121,874	38,800
	158,957	-	37,803	121,874	38,800
Total long-term liabilities	$ 7,665,711	$ -	$ 537,605	$ 7,128,106	$ 549,082

Bonds Payable

At June 30, 2021, bonds payable consisted of the following water and sewer revenue bonds:

Date Issued	Final Maturity	Interest Rate	Authorized and Issued	Outstanding
01/21/2000	01/01/2039	3.25	$ 469,000	$ 316,000
02/14/2001	01/01/2040	3.25	1,008,000	653,000
11/20/2014	02/01/2040	2.00-3.75	2,980,000	2,275,000
			$ 4,457,000	$ 3,244,000

The November 20, 2014 bond issue was sold at a discount of $38,474. This amount is being amortized over the life of the bond.

Debt service requirements to maturity for the water and sewer revenue bonds to be paid from future water and sewer revenues are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 160,083	$ 107,043	$ 267,126
2023	165,083	102,145	267,228
2024	170,000	97,098	267,098
2025	173,083	91,898	264,981
2026	180,083	86,604	266,687
2027 - 2031	981,667	345,006	1,326,673
2032 - 2036	815,583	190,353	1,005,936
2037 - 2040	598,418	49,957	648,375
	$ 3,244,000	$ 1,070,104	$ 4,314,104

Under the provisions of the Bond Ordinances authorizing the 2000 and 2001 bonds, the Board is required to maintain a bond sinking fund that requires monthly deposits of sufficient amounts to fund annual principal and interest requirements in advance. The ordinance further requires a depreciation fund requiring monthly deposits. This fund has a balance of $163,506 at June 30, 2021.

The Bond Ordinances also require that the system shall charge such rates and charges for all services and facilities rendered by the Board, which rates and charges shall be reasonable and just, taking into account and consideration the cost and value of the System, including all extensions, additions and improvement thereto, the cost of maintaining, repairing and operating the same and the amounts necessary for the retirement of all bonds and the accruing interest on all bonds.

The Bond Ordinances further require that the Board shall not reduce the rates and charges for the services rendered by the Board without first filing with the City Clerk, a certification from an independent Consulting Engineer to the effect that the annual net revenues (defined as gross revenues less current expenses) of the then existing Board for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues of the Board anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the Board.

Loans Payable

At June 30, 2021 loans payable were as follows:

Kentucky Bond Corporation - In July 2012, a variable rate financing lease payable was obtained to refinance certain electric utility improvements. The loan was in the amount of $4,165,000 and for a term of 17.5 years. The interest rate on the loan varies from 2.00% to 3.15%. At June 30, 2021, the outstanding balance on the loan was $2,184,166. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 234,167	$ 68,281	$ 302,448
2023	237,917	62,110	300,027
2024	239,167	55,445	294,612
2025	247,083	48,390	295,473
2026	252,083	40,646	292,729
2027 - 2030	973,749	77,668	1,051,417
	$ 2,184,166	$ 352,540	$ 2,536,706

Kentucky Infrastructure Authority Project A11-06 - On August 31, 2012, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board entered into a Clean Water SRF construction loan in the amount of $2,000,000 for the CSO Renovation project. Funding will be utilized for the first phase of a two phase project to eliminate sewer over flows from the sanitary sewer system. The term of the loan is 20 years. The interest rate is fixed at 1%. The terms state that 30% of the total principal balance (or $600,000) will be forgiven. The terms of the loan state conditions that must be met by the Board, one of which being a schedule of rate increases for sewer and water rates through 2014. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $5,000 until the balance reaches $50,000; the Board has funded the full $50,000 upfront. At June 30, 2021, the Board had $911,870 (net of grant forgiveness of $600,000) borrowed from the Kentucky Infrastructure Authority at 1%. Debt service requirements to maturity are as follows (subject to change with additional draws):

Fiscal Year	Principal	Interest	Total
2022	$ 68,839	$ 8,947	$ 77,786
2023	69,529	8,257	77,786
2024	70,226	7,560	77,786
2025	70,930	6,856	77,786
2026	71,641	6,145	77,786
2027 - 2031	369,123	19,806	388,929
2032 - 2034	191,582	2,883	194,465
	$ 911,870	$ 60,454	$ 972,324

Kentucky Infrastructure Authority Project F13-032 - On October 1, 2013, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board entered into a Clean Water construction loan in the amount of $850,000 for drinking water supply project. Funding will be utilized for the construction of a new raw water production well and SCADA system and the installation of approximately 1,550 radio read meters. The well will enhance the water supply for the city and facilitate the future proposed interconnection of the area water systems. The radio read meters will be installed at rural customer locations that do not have other city utility services. The terms of the loan are undetermined. The interest rate is fixed at 0.75%. The terms state that 25% of the total principal balance (or $212,500) will be forgiven. The terms of the loan state conditions that must be met by the Board, one of which being a schedule of rate increases for sewer and water rates through 2014. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $2,100 until the balance reaches $21,000; the Board has funded the full $21,000 upfront. At June 30, 2021 the Board had $440,623 (net of grant forgiveness of $212,470) borrowed from the Kentucky Infrastructure Authority at 0.75%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 31,134	$ 3,246	$ 34,380
2023	31,368	3,012	34,380
2024	31,603	2,777	34,380
2025	31,841	2,539	34,380
2026	32,080	2,300	34,380
2027 - 2031	164,052	7,848	171,900
2032 - 2035	118,545	1,785	120,330
	$ 440,623	$ 23,507	$ 464,130

Kentucky Infrastructure Authority Project A14-002 - On April 3, 2014, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board was approved by the KIA for a new $665,000 loan. Funding will be utilized for the Wastewater Treatment Plan Rehabilitation project. The project involves replacement of various components including influent flow meter, chart recorder, auto refrigerated composite sampler blowers, motors, control panel, and sewage pump. The clarifier will be repaired. Modifications will be made to the grit removal system and new chlorine, sulfur dioxide feeds and a new sludge drying bed will also be added. Repair or replacement of 660 linear feet of 12 inch sewer lines will be made to correct inflow and infiltration issues. Terms of the loan have not been determined. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $1,700 until the balance reaches $17,000; the Board has funded the full $17,000 upfront. At June 30, 2021, the Board had $253,982 (net of grant forgiveness of $340,829) borrowed from Kentucky Infrastructure Authority at 0.75%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 16,059	$ 1,875	$ 17,934
2023	16,180	1,754	17,934
2024	16,302	1,633	17,935
2025	16,424	1,510	17,934
2026	16,547	1,387	17,934
2027 - 2031	84,621	5,049	89,670
2032 - 2036	87,849	1,822	89,671
	$ 253,982	$ 15,030	$ 269,012

Capital Leases

At June 30, 2021 capital leases were as follows:

Altec Capital - on December 1, 2019, the Board entered into a capital lease for the purchase of a 2019 Freight liner M2-106 Altec Digger Derrick. The capital lease was in the amount of $203,400 and for a term of five years. At June 30, 2021, the outstanding balance of the capital lease was $121,874. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 38,800	$ 5,643	$ 44,443
2023	40,597	3,846	44,443
2024	42,477	1,966	44,443
	$ 121,874	$ 11,455	$ 133,329

(6) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the Board 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% (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, 2021, employers were required to contribute 24.06% (19.30% - pension, 4.76% - insurance) of the member's salary. During the year ending June 30, 2021, the Board contributed $184,993 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 Pensions:

At June 30, 2021, the Board reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The Board's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2020, the Board's proportion was 0.037792%.

For the year ended June 30, 2021, the Board recognized pension expense of $478,484. At June 30, 2021, the Board 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	$ 72,282	$ -
Changes of assumptions	113,186	-
Net difference between projected and actual earnings on pension plan investments	72,534	-
Changes in proportion and differences between Board contributions and proportionate share of Contributions	110,480	82,319
Board contributions subsequent to the measurement date	184,993	-
Total	$ 553,475	$ 82,319

At June 30, 2021, the Board reported deferred outflows of resources for Board contributions subsequent to the measurement date of $184,993. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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 amounts will be recognized in pension expense as follows:

Year	
2022	$ 156,366
2023	70,842
2024	29,824
2025	29,131
2026	-
	$ 286,163

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, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	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

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**62.50%**	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	**14.50%**	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	**100.00%**	**3.96%**

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

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 Board's proportionate share of the net pension liability to changes in the discount rate: The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Board'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%)
Board's proportionate share of the net pension liability	$ 3,574,623	$ 2,898,615	$ 2,338,855

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

Payables to the pension plan: At June 30, 2021, the payables to CERS were $17,050.

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

County Employees Retirement System Insurance Fund

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, 2021, CERS allocated 4.76% of the 24.06% 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, 2021, the Board contributed $45,615 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, 2021, the Board reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. Board's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2020, the Board's proportion was 0.037781%.

For the year ended June 30, 2021, the Board recognized OPEB expense of $126,863, including an implicit subsidy of $18,986. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 152,426	$ 152,545
Changes of assumptions	158,686	965
Net difference between projected and actual earnings on pension plan investments	30,323	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	55,366	35,067
Board contributions subsequent to the measurement date	45,615	-
Total	$ 442,416	$ 188,577

At June 30, 2021, the Board reported deferred outflows of resources for Board contributions subsequent to the measurement date of $45,615. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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 amounts will be recognized in pension expense as follows:

Year	
2022	$ 53,752
2023	62,726
2024	45,522
2025	44,927
2026	1,297
	$ 208,224

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	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 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 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.

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**62.50%**	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	**14.50%**	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%

Diversifying Strategies	**23.00%**	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	**100.00%**	**3.96%**

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount Rate: The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	1% Decrease (4.34%)	Current discount rate (5.34%)	1% Increase (6.34%)
Board's proportionate share of the net OPEB liability	$ 1,172,033	$ 912,296	$ 698,966

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

	1% Decrease	Current trend rate	1% Increase
Board's proportionate share of the net OPEB liability	$ 706,345	$ 912,296	$ 1,162,223

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

Payables to the OPEB plan: At June 30, 2021, the payables to CERS were $4,205.

(8) COMMITMENTS AND CONTINGENCIES

On January 1, 1979, the Board elected to become a self-insurer for the purpose of Kentucky unemployment insurance taxes. The Board has pledged to the Commonwealth of Kentucky real property that exceeds double the amount of deposit otherwise required as security to insure that any unemployment benefits due would be paid.

Effective January 1, 2006, the Board contracted with American Electric Power to provide all purchased power through May 31, 2025.

Effective April 1, 2008, the Board contracted with Symmetry Energy Solutions to provide all purchased natural gas through March 31, 2022.

(9) RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board provides for risk financing by purchasing coverage from commercial insurance companies. The Board also participates in the Kentucky League of Cities Workers Compensation Trust, a public entity risk pool. The Board pays premiums to the pool which in turn bears the risk of loss. The contract with the Kentucky League of Cities Workers Compensation Trust is a retrospectively rated contract. The premiums under this contract are estimated based on the ultimate cost of the experience to date of the group of entities participating. The Kentucky League of Cities Workers Compensation Trust performs an annual payroll audit of the Board and the premiums are then adjusted based on actual experience.

(10) SEGMENT INFORMATION

The Board issues separate revenue bonds to finance water and sewer departments. The two departments together with the gas department are accounted for in a single fund, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial activity for these departments is as follows:

	Water Department	Sewer Department	Gas Department	Total
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current assets	$ 522,723	$ 854,131	$ 265,278	$ 1,642,132
Capital assets	7,861,322	5,776,402	40,122	13,677,846
Total assets	8,384,045	6,630,533	305,400	15,319,978
Deferred outflows of resources:				
Deferred pension related	161,606	74,603	69,186	305,395
Deferred OPEB related	129,178	59,634	55,303	244,115
Total deferred outflows of resources	290,784	134,237	124,489	549,510
Total assets and deferred outflows of resources	$ 8,674,829	$ 6,764,770	$ 429,889	$ 15,869,488
Liabilities:				
Current liabilities	$ 331,171	$ 1,879,028	$ 30,259	$ 2,240,458
Noncurrent liabilities	4,198,285	1,974,065	476,375	6,648,725
Total liabilities	4,529,456	3,853,093	506,634	8,889,183
Deferred inflows of resources:				
Deferred pension related	24,036	11,096	10,290	45,422
Deferred OPEB related	55,061	25,418	23,573	104,052
Total deferred inflows of resources	79,097	36,514	33,863	149,474
Net position:				
Net investment in capital assets	4,606,349	4,209,309	40,122	8,855,780
Other restricted	310,091	804,890	88,317	1,203,298
Unrestricted	(850,164)	(2,139,036)	(239,047)	(3,228,247)
Total net position	4,066,276	2,875,163	(110,608)	6,830,831
Total liabilities, deferred inflow of resources and net position	$ 8,674,829	$ 6,764,770	$ 429,889	$ 15,869,488

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Operating revenues (pledged against bonds)	$ 1,044,588	$ 308,873	$ 842,964	$ 2,196,425
Depreciation expense	(390,041)	(165,404)	(15,643)	(571,088)
Other operating expenses	(843,633)	(385,131)	(825,184)	(2,053,948)
Operating gain (loss)	(189,086)	(241,662)	2,137	(428,611)
Non-operating revenues (expenses):				
Investment income	349	780	238	1,367
Interest expense	(106,006)	(25,708)	-	(131,714)
Capital contributions	11,000	300	1,800	13,100
Transfers out	(67,560)	(18,000)	(53,880)	(139,440)
Change in net position	(351,303)	(284,290)	(49,705)	(685,298)
Beginning net position	4,417,579	3,159,453	(60,903)	7,516,129
Ending net position	$ 4,066,276	$ 2,875,163	$ (110,608)	$ 6,830,831

CONDENSED STATEMENT OF CASH FLOWS NET CASH PROVIDED BY (USED BY)

Operating activities	$ 351,594	$ 136,828	$ (30,606)	$ 457,816
Noncapital financing activities	(67,560)	(18,000)	(53,880)	(139,440)
Capital and related financing activities	(284,034)	(138,604)	1,800	(420,838)
Investing activities	349	780	238	1,367
Net increase (decrease)	349	(18,996)	(82,448)	(101,095)
Beginning cash	331,057	826,163	256,268	1,413,488
Ending cash	$ 331,406	$ 807,167	$ 173,820	$ 1,312,393

REQUIRED SUPPLEMENTARY INFORMATION

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 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)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:							
Board's proportion of the net pension liability	0.037792%	0.039786%	0.034985%	0.035270%	0.035711%	0.035794%	0.035080%
Board's proportionate share of the net pension liability	$ 2,898,615	$ 2,798,167	$ 2,130,693	$ 2,064,462	$ 1,758,292	$ 1,538,959	$ 1,138,000
Board's covered-employee payroll	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738	$ 851,876	$ 821,688	$ 804,786
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.225%	278.189%	244.985%	240.406%	206.402%	187.292%	141.404%
Plan fiduciary net position as a percentage of the total pension liability	47.810%	50.450%	53.540%	53.320%	55.500%	59.970%	66.800%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:							
Board's proportion of the net OPEB liability	0.037781%	0.039786%	0.034985%	0.035270%			
Board's proportionate share of the net OPEB liability	$ 912,296	$ 669,014	$ 621,134	$ 709,048			
Board's covered-employee payroll	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738			
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	95.121%	66.512%	71.417%	82.569%			
Plan fiduciary net position as a percentage of the total OPEB liability	51.670%	60.440%	57.620%	52.390%			

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

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:								
Contractually required contribution	$ 184,993	$ 185,105	$ 163,149	$ 125,936	$ 119,794	$ 105,803	$ 104,771	$ 110,582
Contributions in relation to the contractually required contribution	184,993	185,105	163,149	125,936	119,794	105,803	104,771	110,582
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Board's covered-employee payroll	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738	$ 851,876	$ 821,688	$ 804,786
Board's contributions as a percentage of its covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:								
Contractually required contribution	$ 45,615	$ 45,642	$ 52,971	$ 40,867	$ 40,618			
Contributions in relation to the contractually required contribution	45,615	45,642	52,971	40,867	40,618			
Contribution deficiency (excess)	-	-	-	-	-			
Board's covered-employee payroll	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738			
Board's contributions as a percentage of its covered-employee payroll	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.

(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 3.55%-11.55% (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 2020.
- 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.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

CERS - OPEB

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 3.55%-11.55% (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.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

(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, 2020:

Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, closed
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 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

CERS - OPEB

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending 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	25 Years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
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	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(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, 2020 is determined using these updated benefit provisions.

CERS - OPEB

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, 2020, is determined using these updated benefit provisions.

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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*

Board Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, 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 Electric Plant Board of the City of Vanceburg, Kentucky, a component unit of the City of Vanceburg, Kentucky (the "Board"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
September 28, 2021