

**CITY OF BARDWELL
BARDWELL, KENTUCKY**

**ANNUAL
FINANCIAL REPORT**

June 30, 2020

CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor’s Report	4-7
Bardwell City Officials.....	8
Statement of Net Position.....	9
Statement of Activities.....	10
Balance Sheet - Governmental Fund(s).....	11
Statement of Revenues, Expenditures, and Changes In Fund Balance(s) - Governmental Fund(s).....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance(s) of Governmental Fund(s) to the Statement of Activities.....	13
Statement of Net Position - Proprietary Funds.....	14
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	15
Statement of Cash Flows - Proprietary Funds.....	16-17
Notes to Financial Statements.....	19-43
 SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule.....	45
Notes to Required Supplementary Information.....	46
Schedule of Proportionate Share of the Net Pension Liability County Employees Retirement System.....	47
Schedule of Contributions County Employees Retirement System.....	48
Notes to Required Supplementary Information - Pension Plan.....	49
Schedule of Proportionate Share of the Net OPEB Liability County Employees Retirement System.....	50
Schedule of Contributions County Employees Retirement System.....	51
Notes to Required Supplementary Information - OPEB.....	52
Detailed Statement of Expenditures.....	53
 ADDITIONAL INFORMATION	
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.....	55-56
Schedule of Finding(s).....	57-58

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Philip King
And Members of the City Council
City of Bardwell, Kentucky

Report on the Financial Statements

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 Bardwell, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City'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.

To the Honorable Mayor Philip King
And Members of the City Council
City of Bardwell, Kentucky
Page Two of the Report

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bardwell, Kentucky, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension / OPEB schedules 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 State of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the

To the Honorable Mayor Philip King
And Members of the City Council
City of Bardwell, Kentucky
Page Three of the Report

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bardwell, Kentucky's basic financial statements. The Bardwell City officials information and the detailed statement of expenditures are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Bardwell City officials information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* , we have also issued our report dated May 31, 2022, on our consideration of the City of Bardwell, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance.

To the Honorable Mayor Philip King
And Members of the City Council
City of Bardwell, Kentucky
Page Four of the Report

That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Bardwell, Kentucky's internal control over financial reporting and compliance.

Reed & Co. of Mayfield, PSC
Mayfield, Kentucky
May 31, 2022

BARDWELL CITY OFFICIALS
June 30, 2020

Philip King	Mayor
Terry Polivick	Council Member
Steve Perry	Council Member
Mahlon Thomas	Council Member
Diane Smith	Council Member
Ronnie Canary	Council Member
Cody Yates	Council Member
Adrian Burgess	City Clerk / City Treasurer
Mark Drysdale	Utilities Clerk

CITY OF BARDWELL, KENTUCKY
STATEMENT OF NET POSITION
For the Year Ended June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 106,811	\$ 152,548	\$ 259,359
Receivables			
Taxes	11,241	-	11,241
Billed	-	100,994	100,994
Unbilled	-	138,758	138,758
Bond Receivable	-	-	-
Grants / Interfund	26,388	190,399	216,787
Prepays and Other Assets	-	-	-
Accrued Interest	32	16	48
Inventory	-	50,090	50,090
Restricted Cash and Cash Equivalents	-	42,813	42,813
Capital Assets:			
Non-Depreciable	38,775	47,216	85,991
Depreciable, Net of Depreciation	1,516,363	3,496,165	5,012,528
Deferred Outflows Related to Pension	52,238	189,589	241,827
Deferred Outflows Related to OPEB	23,340	79,092	102,432
Total Assets	1,775,188	4,487,680	6,262,868
LIABILITIES			
Accounts Payable	30,970	74,166	105,136
Accrued Expenses / Interfund Payable	22,652	216,822	239,474
Meter Deposits	-	90,044	90,044
Compensated Absences	3,139	10,170	13,309
Net Pension Liability	231,433	775,136	1,006,569
Net OPEB Liability	52,075	188,580	240,655
Bond Payable	-	1,033,333	1,033,333
Long-Term Debt	289,255	56,333	345,588
Total Liabilities	629,524	2,444,584	3,074,108
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Amount(s)	25,265	83,310	108,575
Deferred OPEB Amount	27,979	85,629	113,608
Total Deferred Inflow of Resources	53,244	168,939	222,183
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,265,883	2,453,715	3,719,598
Restricted For:			
Meter Deposits	-	90,144	90,144
Unrestricted	(173,463)	(669,702)	(843,165)
TOTAL NET POSITION	\$ 1,092,420	\$ 1,874,157	\$ 2,966,577

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

CITY OF BARDWELL, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs Reporting Entity	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General Government	\$ 238,536	\$ 19,320	\$ -	\$ -	\$ (219,216)	\$ -	\$ (219,216)
Protection to Persons and Property	150,545	-	15,131	-	(135,414)	-	(135,414)
Public Works	120,739	-	97,075	96,100	72,436	-	72,436
Interest on Short-Term Debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>509,820</u>	<u>19,320</u>	<u>112,206</u>	<u>96,100</u>	<u>(282,194)</u>	<u>-</u>	<u>(282,194)</u>
Business-Type Activities							
Bardwell Utilities	<u>1,887,783</u>	<u>1,714,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,438)</u>	<u>(173,438)</u>
Total Business-Type Activities	<u>1,887,783</u>	<u>1,714,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,438)</u>	<u>(173,438)</u>
Total Primary Government	<u>\$ 2,397,603</u>	<u>\$ 1,733,665</u>	<u>\$ 112,206</u>	<u>\$ 96,100</u>	<u>(282,194)</u>	<u>(173,438)</u>	<u>(455,632)</u>
General Revenues:							
Taxes:							
					63,392	-	63,392
					1,905	-	1,905
					11,371	-	11,371
					128,253	-	128,253
					111,799	-	111,799
					5	1	6
					28,133	-	28,133
					10,100	-	10,100
					(51,497)	51,497	-
				Total General Revenues	<u>303,461</u>	<u>51,498</u>	<u>354,959</u>
				Change in Net Position	<u>21,267</u>	<u>(121,940)</u>	<u>(100,673)</u>
				Net Position, Beginning of Year	<u>1,071,153</u>	<u>1,996,097</u>	<u>3,067,250</u>
				Net Position, End of Year	<u>\$ 1,092,420</u>	<u>\$ 1,874,157</u>	<u>\$ 2,966,577</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**CITY OF BARDWELL, KENTUCKY
GOVERNMENTAL FUND(S)
BALANCE SHEET**

For the Year Ended June 30, 2020

	General	WBFD	Total Governmental
ASSETS			
Cash and Cash Equivalents	\$ 103,404	\$ 3,407	\$ 106,811
Grants Receivable / Interfund Receivable	26,388	-	26,388
Taxes Receivable	11,273	-	11,273
Total Assets	\$ 141,065	\$ 3,407	\$ 144,472
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	30,970	-	30,970
Accrued Wages and Benefits	25,791	-	25,791
Total Liabilities	56,761	-	56,761
Deferred Inflows of Resources			
Unavailable / Unearned Revenue - Property Taxes	-	-	-
FUND BALANCES:			
Restricted	4,933	3,407	8,340
Assigned	-	-	-
Unassigned	79,371	-	79,371
Total Fund Balances	84,304	3,407	87,711
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 141,065	\$ 3,407	

Reconciliation of the Balance Sheet-Governmental Funds to Statement of Changes in Net Position:

Amounts Reported for Governmental Activities In The Statement

Of Net Position Are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	1,555,138
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds as liabilities in Governmental Funds:	
Note Payable	(289,255)
Net Pension Liability	(231,433)
Net OPEB Liability	(52,075)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reportable in governmental funds:	
Deferred outflows of resources represents contributions subsequent to plan measurement date.	75,578
Deferred inflows of resources represent difference between projected and actual investment earnings.	(53,244)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,092,420

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF BARDWELL, KENTUCKY
GOVERNMENTAL FUND(S)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE(S)
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>WBFD Fund</u>	<u>Governmental Fund(s)</u>
REVENUES:			
Taxes	\$ 292,681	\$ 24,039	\$ 316,720
Licenses and Permits	6,393	-	6,393
Intergovernmental Revenues	214,325	-	214,325
Charges for Services and Use of Property	19,320	-	19,320
Miscellaneous	15,716	-	15,716
Interest	5	-	5
Other	-	-	-
Total Revenues	<u>548,440</u>	<u>24,039</u>	<u>572,479</u>
EXPENDITURES:			
General Government	128,970	4,640	133,610
Protection to Persons and Property	111,777	-	111,777
Public Works	114,520	-	114,520
Debt Service	204,879	18,195	223,074
Total Expenditures	<u>560,146</u>	<u>22,835</u>	<u>582,981</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (uses)	<u>(11,706)</u>	<u>1,204</u>	<u>(10,502)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds From Sale of Assets	10,100	-	10,100
Proceeds From Financing Obligations	120,800	-	120,800
Transfers to Other Funds	(138,592)	-	(138,592)
Transfers From Other Funds	87,100	-	87,100
Total Other Financing Sources (Uses)	<u>79,408</u>	<u>-</u>	<u>79,408</u>
Net Change in Fund Balances	67,702	1,204	68,906
Fund Balance - Beginning	<u>16,602</u>	<u>2,203</u>	<u>18,805</u>
Fund Balance - Ending	<u>\$ 84,304</u>	<u>\$ 3,407</u>	<u>\$ 87,711</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF BARDWELL, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE(S) OF GOVERNMENTAL FUND(S) TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

**Reconciliation of the Statement of Revenues and Expenditures, and
Changes in Fund Balance to Statement of Activities:**

Net Change in Fund Balance - Total Governmental Funds \$ 68,906

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	171,030
Depreciation Expense	(114,213)
Assets Disposed of, Net Book Value	-

Loan Proceeds are treated as other financing sources in the Governmental Funds as a current financial resource, but in the Statement of Activities these proceeds are not reported as income. (120,800)

Note principal payments are expensed in the Governmental as a use of current financial resources.

Note Principal Payment	42,769
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Governmental Funds report pension contributions as expenditures using the current financial resources measurement focus. However, in the Government wide Statement of Activities, the cost of pension benefits earned is reported economic resource measurement focus and the full accrual basis of accounting.

City Pension Contribution (Deferred Outflows) / Cost of Pension Benefits Earned	(25,559)
City OPEB Contribution (Deferred Outflows) / Cost of OPEB Benefits Earned	(866)

Change in Net Position - Governmental Activities	<u>\$ 21,267</u>
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The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF BARDWELL, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2020

	Business-type Activities
	Enterprise / Utility
	Fund
ASSETS	
Current Assets:	
Current Cash and Cash Equivalents	\$ 152,548
Receivables:	
Billed	100,994
Unbilled	138,758
Interfund Receivable	190,399
Bond Receivable	-
Accrued Interest	16
Inventories	50,090
TOTAL CURRENT ASSETS	632,805
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	42,813
Capital Assets:	
Land	47,216
Plant and Equipment	6,845,418
Less Accumulated Depreciation	(3,349,253)
TOTAL NONCURRENT ASSETS	3,586,194
Deferred Outflows of Resources:	
Deferred Pension Amounts	189,589
Deferred OPEB Amounts	79,092
TOTAL OUTFLOWS	268,681
TOTAL ASSETS	4,487,680
LIABILITIES	
Current Liabilities:	
Account Payable	74,166
Accrued Expenses / Interfund Payable	216,822
Meter Deposits	90,044
Compensated Absences	10,170
Current Portion of Long-Term Debt	40,000
TOTAL CURRENT LIABILITIES	431,202
Noncurrent Liabilities:	
Net Pension Liability	775,136
Net OPEB Liability	188,580
Notes Payable / Bond Payable	1,049,666
TOTAL NONCURRENT LIABILITIES	2,013,382
TOTAL LIABILITIES	2,444,584
Deferred Inflows of Resources:	
Deferred Pension Amounts	83,310
Deferred OPEB Amounts	85,629
TOTAL INFLOWS	168,939
NET POSITION	
Invested in Capital Assets, Net of Related Debt	2,453,715
Restricted For:	
Meter Deposit	90,144
Unrestricted	(669,702)
TOTAL NET POSITION	\$ 1,874,157

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF BARDWELL, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2020

	Business-type Activities
	Enterprise / Utility
	Fund
OPERATING REVENUES	
Charges For Services	\$ 1,658,888
Material & Miscellaneous	55,457
Capital Grants	-
TOTAL OPERATING REVENUES	1,714,345
OPERATING EXPENSES	
Utility Purchases	939,760
General Expenses	142,421
Wages and Related Expense	260,573
Employee Benefits	137,455
Insurance	106,840
Contract Labor	6,280
Fuel and Vehicle Expense	61,088
Professional Fees	9,424
Loss on Sale of Asset	35,012
Depreciation	146,020
TOTAL OPERATING EXPENSES	1,844,873
OPERATING INCOME (LOSS)	(130,528)
NONOPERATING REVENUES (EXPENSE)	
Interest Income	1
Interest Expense	(42,910)
TOTAL NONOPERATING REVENUES	(42,909)
(EXPENSE)	(42,909)
Income (Loss) Before Contributions & Transfers	(173,437)
OTHER	
Transfers In / (Out) / Misclassifications	5
Transfers In	168,892
Transfers Out	(117,400)
Capital Contributions	-
TOTAL CONTRIBUTIONS AND	51,497
TRANSFERS	51,497
CHANGE IN NET POSITION	(121,940)
Total Net Position - Beginning of Year	1,996,097
Total Net Position - End of Year	\$ 1,874,157

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF BARDWELL, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2020

	Business-type Activities Enterprise / Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 1,720,533
Receipts From Grants- Operating	-
Payments to Suppliers	(1,326,746)
Payments To Employees	(397,509)
Net Cash Provided By Operating Activities	(3,722)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Disposition of Fixed Assets	-
Transfers Net	60,989
Net Cash Provided (Used) By Noncapital Financing Activities	60,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Pension / OPEB Liability / Deferred	79,275
Proceeds from Capital Grants	-
Proceeds From Loans	374,600
Principal Payment on Loans	(50,579)
Acquisition of Fixed Assets	(539,400)
Interest Paid on Loans	(42,910)
Net Cash (Used) Provided By Capital and Related Financing Activities	(179,014)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	1
Net Cash Provided By Investing Activities	1
Net Increase (Decrease) in Cash and Cash Equivalents	(121,746)
Cash and Cash Equivalents - July 1	317,107
Cash and Cash Equivalents - June 30	\$ 195,361

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF BARDWELL, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2020

<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	<u>Business-type Activities Enterprise / Utility Fund</u>
Operating Income (Loss)	\$ (130,528)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	146,020
(Increase) Decrease In:	
Accounts Receivable	(6,973)
Prepaid and Other Assets	(2,047)
Increase (Decrease)	
Accounts Payable	(23,874)
Accrued Expenses	-
Compensated Absences	519
Meter Deposits	<u>13,161</u>
Net Cash Provided By Operating Activities	<u>\$ (3,722)</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**NOTES
SECTION**

CITY OF BARDWELL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Financial Statements of the City of Bardwell, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. The City's significant accounting policies are described below.

B. Reporting Entity

The City, for financial purposes, includes all the funds relevant to the operations of the City of Bardwell, Kentucky (the primary government). The City is also required to include in its financial statements those separately administered organizations (component units) in which the City is financially accountable for with which the City has significant operational or financial relationships. The criteria for including organizations as component units within the City's reporting entity include whether the organization is legally separate and whether the City holds the corporate powers, whether the City appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the City. Based on the foregoing criteria, the City of Bardwell has no component units.

C. 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 non-fiduciary activities of the primary government. 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 identifiable activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or identifiable activity and 2) grants and contributions that are restricted

to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has no significant fiduciary funds.

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 and the fiduciary 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 government 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, compensated absences, and claims and judgments expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, state and federal 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 financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

The new model as defined in GASB No. 34, as amended, and GASB No. 84 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

Reclassifications

Where presented, certain 2019 financial statement amounts may have been reclassified to conform to the 2020 presentation.

The City reports the following major governmental funds:

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

The City receives Municipal Road Aid funds; and alcoholic control fee / license funds, which normally would be reported as a special revenue funds. The aid fees / licenses are insignificant to the overall operation. The road aid and alcohol control fee / licenses are presented as general fund revenue.

The City reports the following major proprietary fund:

The utility fund accounts for the activities associated with the electric, water, waste water, and gas distribution services to the residential and commercial customers of the City.

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 enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the 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 Assets or Equity

Cash and Cash Equivalents —For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in checking accounts, interest-bearing deposits, and highly liquid investments with an original maturity of three months or less.

Inventories —Inventories held by the Enterprise Funds are stated at average cost on a first-in, first-out basis. The cost of inventories is recorded as expenditures when consumed.

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost where historical cost records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value as of the date received. The cost of normal maintenance and repairs that do not add to the value of asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets purchased by governmental funds (general capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, lighting systems, and similar assets) are recorded as expenditures in those funds when purchased. No depreciation is recorded on these general capital assets. In the Government-Wide Statement of Net Assets, these assets are capitalized at cost and in the Government-Wide Statement of Activities, depreciation is reported.

Capital assets purchased by proprietary funds are capitalized at cost and shown as assets of those funds. Depreciation of capital assets of proprietary funds and governmental activities is computed over the estimated useful lives of the assets using the straight-line method and is charged as an operating expense of those funds.

The estimated useful lives are as follows:

	<u>Useful Life (Years)</u>
Land Improvements	10-20
Buildings and Building Improvements	15-60
Machinery and Equipment	3-15
Vehicles	3-5
Infrastructure	40-50

Compensated Absences

All full-time City employees accumulate vacation hours for later use or for payment upon termination, death or retirement. In proprietary funds, vested vacation benefits are recognized as expenses when earned by the employee and unpaid benefits are liabilities of those funds. Governmental fund types recognize the expenditure when benefits are paid. The remaining balance of the vested employees' vacation for governmental fund types is recorded as a liability in the government-wide statements.

Restricted Assets

Certain proceeds of the proprietary fund, such as meter deposits, are classified as Restricted Assets on the Statement of Net Assets because their use is limited by applicable agreement(s). Restricted assets consist of cash and certificate(s) of deposit.

Statement of Cash Flows

For purpose of the statement of cash flow, the City considers all highly liquid investments and investments with an original maturity of three months or less when purchased to be cash equivalents.

Estimates

The preparation of general purpose financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets Component of Net Position

For the government-wide financial statements, net assets are reported as restricted when constraints placed on net assets are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, the fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balance of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund financial statements in the following classifications:

Nonspendable fund balance -this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted fund balance -this includes amounts that can be spent for specific purposes stipulated by constitution, external resources providers, or through enabling legislation. If the council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance - this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance -this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance -this includes all amounts not included in other spendable classifications.

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Investment in capital assets, net of related debt -this category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position - this category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - this resulting category presents the remaining city net position and this measure of equity is unrestricted, legally or otherwise.

Pensions (Post - Employment Benefits)

For purposes of measuring the net pension / OPEB liability(ies), deferred outflows of resources and deferred inflows of resources related to pensions (post - employment benefits), and pension (post - employment benefits) expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to / deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. 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.

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial 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 and so will not be recognized as an expense or expenditure until then. The City has two items that qualifies for reporting in this category: The pension and OPEB related deferred outflows reported in the Government-Wide Statement of Net Position totaling \$344,259 at June 30, 2020, as described in Notes 7 and 8 to the financial statements.

In addition to liabilities, the Statement of Financial Position and / or Balance Sheet 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 and so will not be recognized as revenue until then. The City has two items that meet this criteria: the pension and OPEB deferred inflows reported in the Government-Wide Statement of Net Position totaling \$222,183 at June 30, 2020, as described in Notes 7 and 8 to the financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

Fair Value Measurement

The City measures and records its investments using fair value measurement guidelines established by Generally Accepted Accounting Principles. These guidelines recognize a three tiered fair value hierarchy, as follows:

- Level 1 -- Quoted prices for identical investments in active markets;
- Level 2 -- Observable inputs other than quoted market prices; and
- Level 3 -- Unobservable inputs.

The City at June 30, 2020, did not have any investments that needed to be fair value measured.

At June 30, 2020, the City had cash deposits at two banking institutions of less than \$500,000. Federal Deposit Insurance Company insurance amounted to \$250,000 at each bank for a total of \$500,000. Any excess balance at any point in time was collateralized with government securities.

State statutes require that all deposits in financial institutions be fully collateralized U.S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of deposits. The City's deposits, including certificates of deposit, were insured and collateralized as required by State statutes at June 30, 2020.

However, at times during the fiscal year, an amount of the City's deposits potentially could be uncollateralized. The City's deposits are categorized to give an indication of the level of risk assumed by the City on the highest daily balance during the fiscal year.

- | | |
|------------|--|
| Category 1 | Deposits which are insured or collateralized with securities held by the City or its agent at the City's name. |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution trust department or agent in the City's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the City's cash deposits are classified as Category 2.

There are basically four types of risk related to cash and investments. They are as follows;

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Utility's deposits may not be returned to the Utility. The City has no investment policy that limits its investment choices other than the limitations of the Kentucky Revised Statute(s).

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates in adverse affect the fair value of an investment.

At June 30, 2020, the City's exposure to these risks was limited and / or insignificant. All investments mature within one year. All deposits and investments are of the checking account, money market or certificate of deposit type with the local bank. The carrying value and market value of deposits and investments are basically the same.

NOTE 3. PROPERTY TAXES

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Carlisle County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Carlisle County, and the annual increase in the property tax levy cannot exceed 4%. Property taxes are levied October 1, and are due or payable before January 31 of the following year. For the period ending June 30, 2020, the tax rate was .270 cents per \$100 of assessed valuation of real property, .270 cents per \$100 assessed valuation of personal property, and .270 cents per \$100 of assessed valuation of tangible property. City property tax revenues are recognized as revenue basically when billed.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government				
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 38,775	\$ -	\$ -	\$ 38,775
Construction In Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	38,775	-	-	38,775
Capital Assets, Being Depreciated:				
Buildings	604,991	-	-	604,991
Equipment	524,649	171,031	-	695,680
Vehicles	541,956	-	-	541,956
Infrastructure	2,847,788	-	-	2,847,788
Total Capital Assets Being Depreciated	4,519,384	171,031	-	4,690,415
Less Accumulated Depreciation For:				
Buildings	(226,524)	(10,194)	-	(236,718)
Equipment	(399,150)	(27,481)	-	(426,631)
Vehicles	(339,618)	(25,372)	-	(364,990)
Infrastructure	(2,094,546)	(51,167)	-	(2,145,713)
Total Accumulated Depreciation	(3,059,838)	(114,214)	-	(3,174,052)
Total Capital Assets, Being Depreciated, Net	1,459,546	56,817	-	1,516,363
Governmental Activities Capital, Assets, Net	\$ 1,498,321	\$ 56,817	\$ -	\$ 1,555,138

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

<u>Governmental Activities:</u>	
General Government	69,226
Protection to Persons and Property	38,768
Public Works including Infrastructure	6,220
Total Depreciation Expense-Governmental Activities	\$ 114,214

Capital asset activity for business-type activities for the year ended June 30, 2020 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business - Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 47,216	\$ -	\$ -	\$ 47,216
Construction in Process	535,601	-	(535,601)	-
Total Capital Assets Not Being Depreciated	582,817	-	(535,601)	47,216
Capital Assets Being Depreciated:				
Plant and Equipment	5,770,417	1,075,001	-	6,845,418
Total Capital Assets Being Depreciated	5,770,417	1,075,001	-	6,845,418
Less Accumulated Depreciation For:				
Plant and Equipment	(3,203,233)	(146,020)	-	(3,349,253)
Total Accumulated Depreciation	(3,203,233)	(146,020)	-	(3,349,253)
Total Capital Assets, Being Depreciated, Net	2,567,184	928,981	-	3,496,165
Business-Type Activities Capital Assets, Net	<u>\$ 3,150,001</u>	<u>\$ 928,981</u>	<u>\$ (535,601)</u>	<u>\$ 3,543,381</u>

Depreciation expense was charged to functions of the business-type activities as follows:

<u>Business-type Activities:</u>	
Enterprise Utility - Electric / Water / Waste Water / Gas	\$ 146,020
Total Depreciation Expense-Business-type Activities	<u>\$ 146,020</u>

NOTE 5. LONG-TERM DEBT

A. Primary Government - Governmental Activities

Note Payable-Citizens Deposit Bank - 2007 Fire Truck

On October 21, 2015, the City entered into a note agreement with Citizens Deposit Bank in the amount of \$130,287. The purpose of the note was for purchasing a 2007 fire truck. The rate of interest on this note agreement is 3.250%, variable with annual payments due beginning December 21, 2016. As of June 30, 2020, the balance due was \$107,823. Future principal and interest payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	8,266	3,527
2022	8,534	3,258
2023	8,811	2,981
2024	9,087	2,706
2025-2029	73,125	20,441
Totals	<u>\$ 107,823</u>	<u>\$ 32,913</u>

Note Payable-Citizens Bank-1990 Ford Semo Tanker (Water Hauler)

On September 26, 2016, the City entered into an original note agreement with Citizens Deposit Bank for the amount of \$40,447. The purpose of this loan was for the cost of purchasing a 1990 Ford Semi Tanker. Rate of interest is 3.95%. As of June 30, 2020, the balance due was \$17,504, with annual principal and interest payments due in September each year in the amount of \$9,073.

<u>Fiscal Year Ended June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	8,302	771
2022	8,707	366
2023	495	8
Totals	<u>\$ 17,504</u>	<u>\$ 1,145</u>

Note Payable-First Kentucky Bank-Fire Department Building (WBFD Add.)

On October 1, 2015, the City entered into a note agreement with First Kentucky Bank in the amount of \$41,268. The purpose of the note was for purchasing additional building space for the Fire Department. The rate of interest on this note agreement is 3.0%, with annual payments due in October. As of June 30, 2020, the balance due was \$8,909. Future principal and interest payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	8,909	128
Totals	<u>\$ 8,909</u>	<u>\$ 128</u>

Note Payable-Citizens Bank-Line of Credit

On October 30, 2012 the City entered into an original note agreement with Citizens Deposit Bank for the amount of \$46,122. The purpose of this loan was for operating expenses. Rate of interest on this loan agreement is 3.95%. Management plans to renew the Line of Credit on a yearly basis until the note can be retired. The remaining balance currently for the Line of Credit as of June 30, 2020 is \$0 with principal and interest payments due monthly.

Note Payable-Citizens Bank-Line of Credit

On July 2, 2010 the City entered into an original note agreement with Citizens Deposit Bank for the amount of \$100,400. The purpose of this loan was for operating expenses. Rate of interest on this loan agreement is 4.150%. Management plans to renew the Line of Credit on a yearly basis until the note can be retired. The remaining balance currently for the Line of Credit as of June 30, 2020 is \$23,258 with principal and interest payments due monthly, re-evaluated yearly.

Note Payable-USDA-Police Truck-Dodge 1500

On August 21, 2018 the City entered into a promissory note with United States Department of Agriculture (USDA) for the amount of \$9,500. The purpose of this loan was for part of the cost of purchasing a 2018 Dodge Ram 1500 truck (Police truck). Rate of interest is 3.5%. As of June 30, 2020, the balance due was \$5,222 with a payment due each month. Future principal and interest payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	2,448	144
2022	2,535	57
2023	239	1
Totals	<u>\$ 5,222</u>	<u>\$ 202</u>

Note Payable-John Deere Tractor 5055E

On August 20, 2018 the City entered into a Capital lease with John Deere for the amount of \$11,858.88. The purpose of this Capital lease was for part of the cost of a John Deere 5055E utility tractor. As of June 30, 2020, the balance due was \$6,942 with a payment due each month. Future principal and interest payments are due as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	2,405	404
2022	2,548	262
2023	1,989	50
2024	-	-
Totals	<u>\$ 6,942</u>	<u>\$ 716</u>

Note Payable - Citizens Bank - Line of Credit

On August 23, 2019, the City entered into a note agreement with the Citizens Deposit Bank in the amount of \$66,000. The purpose of this loan was for operating expenses. Rate of interest on this loan agreement is approximately 4.15%. Management plans on this to be a renewable loan. The remaining balance currently for the line of credit as of June 30, 2020 is \$64,797 with principal and interest payments due monthly, re-evaluated yearly.

Note Payable - USDA - Dodge Truck

On February 6, 2020, the City entered into a promissory note with the United States Department of Agriculture (USDA) for the amount of \$15,500. The purpose of this loan was for part of the cost of purchasing a Dodge Truck. Rate of interest is 2.75%. As of June 30, 2020, the balance due was \$15,500 with a payment due annually. Future principal and interest payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	3,719	427
2022	3,822	324
2023	3,927	219
2024	4,032	114
Totals	<u>\$ 15,500</u>	<u>\$ 1,084</u>

Note Payable - USDA - Excavator

On June 19, 2020, the City entered into a promissory note with the United States Department of Agriculture (USDA) for the amount of \$28,700. The purpose of this loan was for part of the cost of purchasing an excavator. Rate of interest is 2.375%. As of June 30, 2020, the balance due was \$28,700 with a payment due annually. Future principal and interest payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	5,474	682
2022	5,604	552
2023	5,738	418
2024	5,873	283
2025	6,011	145
Totals	<u>\$ 28,700</u>	<u>\$ 2,080</u>

Note Payable - Citizens Deposit Bank - Dodge Ram

The City entered into a loan agreement for \$10,600 in June, 2020 to purchase a Dodge Ram. The interest rate is at a market rate.

B. Business-Type Activities

Note Payable-Citizens Bank-Sewer Lift Station

On June 26, 2019 the City entered into a note agreement with Citizens Deposit Bank in the amount of \$68,995. The purpose of the note was for a Sewer Lift Station. The rate of interest on this note agreement is 4.150%. As of June 30, 2020 the balance due was \$56,333, with monthly payments of \$1,275 due each month. Future principal and interest payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	13,220	2,085
2022	13,776	1,529
2023	14,358	946
2024	14,979	325
Totals	<u>\$ 56,333</u>	<u>\$ 4,885</u>

C. Changes in Long-Term Debt

Long-Term debt activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Primary Government:				
<u>Government Activities:</u>				
Note Payable-Citizens Bank	\$ 107,823	\$ -	\$ -	\$ 107,823
Note Payable-Citizens Bank	25,655	-	8,151	17,504
Note Payable-First KY Bank	17,407	-	8,498	8,909
Note Payable-Citizens Bank	5,610	-	5,610	-
Note Payable-First KY Bank	36,922	-	13,664	23,258
Note Payable-USDA	7,587	-	2,365	5,222
Note Payable-First KY Bank	10,220	-	3,278	6,942
Note Payable-Citizens Bank	-	66,000	1,203	64,797
Note Payable-USDA-D. Truck	-	15,500	-	15,500
Note Payable-USDA-Excav.	-	28,700	-	28,700
Note Payable-Ram Truck	-	10,600	-	10,600
Government Activities				
Long-Term Liabilities	<u>\$ 211,224</u>	<u>\$ 120,800</u>	<u>\$ 42,769</u>	<u>\$ 289,255</u>
<u>Business-Type Activities:</u>				
Note Payable-Citizens Bank	68,995	-	12,662	56,333
Business-Type Activities				
Long-term Liabilities	<u>\$ 68,995</u>	<u>\$ -</u>	<u>\$ 12,662</u>	<u>\$ 56,333</u>

D. BOND - KENTUCKY BOND CORPORATION

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2020:

	<u>Balance 6/30/2019</u>	<u>Transfers, Issues, or Additions</u>	<u>Transfer, Payments, or Deletions</u>	<u>Balance 6/30/2020</u>
Proprietary Activities				
Kentucky Bond Corporation / Bonds	\$ 1,071,250		\$ 37,917	\$ 1,033,333
Total Long-Term Debt	<u>\$ 1,071,250</u>	<u>\$ -</u>	<u>\$ 37,917</u>	<u>\$ 1,033,333</u>

At June 30, 2020, the long-term debt consisted of:

Proprietary Activities

Kentucky Bond Corporation / revenue bonds payable - balance \$1,033,333 with the following debt service development.

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>FEES</u>	<u>TOTAL</u>
				-
2021	40,000	36,800	3,033	79,833
2022	42,083	35,600	2,933	80,616
2023	45,000	34,338	2,828	82,166
2024	45,000	32,988	2,716	80,704
2025	45,000	31,637	2,603	79,240
2026-2030	254,167	135,381	11,227	400,775
2031-2035	304,167	87,240	7,800	399,207
2036-2039	257,916	24,450	3,141	285,507
	<u>\$ 1,033,333</u>	<u>\$ 418,434</u>	<u>\$ 36,281</u>	<u>\$ 1,488,048</u>

Subject to amendment, the City of Bardwell is to make a monthly payment.

NOTE 6. INTEREST ON LONG-TERM DEBT

Interest on Short-term and Long-term debt on the Statement of Activities includes \$8,836 in interest on notes in the governmental activities.

NOTE 7. EMPLOYEE RETIREMENT SYSTEM / PENSION PLAN

The City participates in the County Employees Retirement System (CERS)

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description -- Employees whose positions do not require a college degree beyond a high school diploma are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan

administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided -- CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 year service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 -- December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 days of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions -- Required contributions by the employee are based on the tier:

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the City was as follows:

City's proportionate share of the CERS pension liability \$1,006,569

The net pension liability of the plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the City's proportion was 0.014312%.

For the year ended June 30, 2020, the City's recognized pension expense was \$102,236. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

County Employees Retirement System (CERS)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,701	\$ 4,253
Change of assumptions	101,876	-
Net differences between projected and actual earnings on pension plan investments	19,322	35,549
Changes in proportion and difference between District contributions and proportionate share of contributions	28,392	68,773
City contributions subsequent to the measurement date	66,536	-
Total	<u>\$ 241,827</u>	<u>\$ 108,575</u>

Amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ending --	<u>June 30,</u>		<u>June 30,</u>	
	2020	62,188	2022	(1,271)
	2021	4,648	2023	1,150

Actuarial assumptions -- The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>
Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense and inflation	6.25%

For CERS, the mortality table used for active members is the 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.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetical real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	17.50%	5.97%
International equity	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate	5.00%	7.63%
Absolute return (diversified hedge funds)	10.00%	5.63%
Real return	10.00%	6.13%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	

Discount rate -- For CERS, 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 employees 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 investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate -- The following table presents the net pension liability of the City calculated using the discount rates selected by each pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
The City's proportionate share of net pension liability	\$1,258,933	\$1,006,569	\$796,227

Pension plan fiduciary net position -- Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description: County Employee Retirement System consists of two plans. Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate in CERS. The City participates in the Non-Hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The City contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	% Paid by Insurance Fund
20 or more years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

There was no legislation enacted during the 2019-2020 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2019, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019 and 2018, participating employers contributed based upon each employee's creditable compensation. The actuarially determined rates set by the City for the fiscal years were a percentage of each employee's creditable compensation.

The City has met 100% of the contribution funding requirement for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$240,655 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to

calculate the net OPEB liability was determined by an actuarial valuation as of that date. The total OPEB liability was rolled-forward from the valuation date to the Plan's fiscal year end, June 30, 2020, using general accepted actuarial principles. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June, 30, 2020, the City's proportion for the non-hazardous system was 0.014308%.

For the year ended June 30, 2020, the City recognized OPEB expense of \$3463. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>County Employees Retirement System (CERS)</u>	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 72,611
Net differences between projected and actual earnings on OPEB plan investments	1,585	12,274
Change of assumptions	71,212	476
Changes in proportion and difference between employer contributions and proportionate share of contributions	13,223	28,247
City contributions subsequent to the measurement date	16,412	-
Total	<u>\$ 102,432</u>	<u>\$ 113,608</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2020	(4,126)
2021	(4,126)
2022	(727)
2023	(7,232)
2024	(9,119)
Thereafter	(2,260)
Total	<u>\$ (27,590)</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Payroll growth rate	2.00%
Inflation	2.30%

Salary increase	3.05%, average
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.5% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 yrs.
Healthcare cost trend rates (post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 yrs.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy returned members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real 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 rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	17.50%	5.97%
International equity	17.50%	7.85%
Global bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return	10.00%	6.13%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability was set by the board. The single discount rate was based on the expected rate of return on the OPEB plan investments as reported in the Fidelity Index's "20-Year Municipal GO AA Index". Future contributions are projected in accordance with the City's current funding policy, which includes the requirement that each participating employer in the system contribute the actuarially determined contribution rate, which is determined using a closed funding period and the actuarial assumptions and methods adopted by this government entity.

Period of projected benefit payments - Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of this government entity's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the City's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate: The following presents this government entity's proportionate share of the net OPEB liability, as well as what this government entity's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease	Current Discount	1% Increase
<u>\$322,378</u>	<u>\$240,654</u>	<u>\$173,319</u>

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

1% Decrease	Current Healthcare Cost	1% Increase
<u>\$178,976</u>	<u>\$240,654</u>	<u>\$315,447</u>

Total OPEB liability as of June 30, 2018 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Payable to the OPEB plan: At June 30, 2020, the City reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 9. INSURANCE

For the fiscal year ended June 30, 2020, City of Bardwell was a member of the Kentucky League of Cities Insurance Service. KLCIS is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials’ errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 10. RISK MANAGEMENT

The City faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers’ compensation, and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. The City participated in a state-wide insurance association, (KLCIS) for workers’ compensation and for general and automobile coverage. Employee medical insurance is provided through a privately administered plan.

NOTE 11. INTERFUND TRANSFERS

As of June 30, 2020, interfund transfers consist of the following:

	Transfer In	Transfer Out
Utility Fund(s)	\$ 168,897	\$ 117,400
General Fund	\$ 87,100	\$ 138,597

NOTE 12. BUDGETARY INFORMATION

Through the budget, the City Council sets the directions of the City, allocates its resources and establishes its priorities. The Annual Budget ensures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The City Charter establishes the fiscal year as the twelve-month period beginning July 1. The departments submit to the Mayor a budget of estimated expenditures for the ensuing fiscal year after which the Mayor subsequently submits a budget of estimated expenditures and revenues to the City Council by June 1. Budgets are adopted using basically the same basis of accounting as used for financial statement reporting purposes.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and becomes effective upon approval by the Council.

Budgeted amounts are as originally adopted or as amended by the City Council.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued - May 15, 2021.

NOTE 14. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans (OPEB)* was issued to address new accounting and financial reporting for other post-employment benefits that are provided to the employees of state and local government employers. The requirements of GASB Statement No. 75 was effective for fiscal year 2018. This government entity has implemented GASB Statement No. 75.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of GASB Statement No. 81 are effective for fiscal year 2018. GASB Statement No 81 did not impact this government entity's financial statements.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, & No. 73* was issued regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This government entity has implemented the requirements of GASB Statement No. 82 as applicable.

GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued to address accounting and financial reporting for certain retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of GASB Statement No. 83 was effective for this current fiscal year and adopted as applicable.

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 was effective for the current fiscal year and adopted as applicable.

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2021. This government entity is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2021. This government entity is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

**SUPPLEMENTARY
INFORMATION**

CITY OF BARDWELL
BUDGETARY COMPARISON SCHEDULE
Required Supplementary Information
For The Year Ended June 30, 2020

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 231,050	\$ 241,050	\$ 292,681	\$ 51,631
Licenses and Permits	7,050	7,050	6,393	(657)
Intergovernmental Revenues	84,600	84,600	214,325	129,725
Charges for Services	19,000	23,000	19,320	(3,680)
Miscellaneous	14,100	31,100	15,716	(15,384)
Interest	1,000	1,000	5	(995)
Total Revenues	356,800	387,800	548,440	160,640
EXPENDITURES				
General Government	249,298	177,278	128,970	48,308
Protection to Persons and Property	117,665	117,665	111,777	5,888
Public Works	87,657	87,657	114,520	(26,863)
Debt Service	204,879	204,879	204,879	-
Total Expenditures	659,499	587,479	560,146	27,333
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(302,699)	(199,679)	(11,706)	187,973
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	10,100	10,100
Proceeds from Financing Obligations	270,679	167,679	120,800	(46,879)
Transfer To Other Funds	-	-	(138,592)	(138,592)
Transfers From Other Funds	32,000	32,000	87,100	55,100
Total Other Financing Sources (Uses)	302,679	199,679	79,408	(120,271)
Net Changes in Fund Balance	-	-	67,702	67,702
Fund Balance – Beginning	-	-	16,602	16,602
Fund Balance - Ending	\$ -	\$ -	\$ 84,304	\$ 84,304

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

CITY OF BARDWELL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

BUDGETARY INFORMATION

Through the budget, the City Council sets the directions of the City, allocates its resources and establishes its priorities. The annual Budget ensures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The City Charter establishes the fiscal year as the twelve-month period beginning July 1. The departments submit to the Mayor a budget of estimated expenditures for the ensuing fiscal year after which the Mayor subsequently submits a budget of estimated expenditures and revenues to the City Council by June 1. Budgets are adopted using basically the same basis of accounting as used for reporting for financial statement reporting purposes.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and becomes effective upon approval by the Council.

Budgeted amounts are as originally adopted or as amended by the City Council.

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

CITY OF BARDWELL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
County Employees Retirement System

Last 10 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.014312%	0.016138%	0.014902%	0.014410%	0.014540%	0.001471%
City's proportionate share of the net pension liability	\$1,006,569	\$ 982,853	\$ 872,601	\$ 709,400	\$ 625,221	\$ 477,215
City's covered-employee payroll	\$ 344,748	\$ 361,012	\$ 399,986	\$ 362,469	\$ 344,304	\$ 337,441
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	291.97%	272.25%	218.16%	195.71%	181.59%	141.42%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

*The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end. Fiscal year 2015 as the first year of implementation.

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

**CITY OF BARDWELL
SCHEDULE OF CONTRIBUTIONS
County Employees Retirement System**

Last 10 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 66,536	\$ 58,556	\$ 57,918	\$ 50,564	\$ 58,753	\$ 59,625
Contributions in relation to the contractually required contributions	<u>(66,536)</u>	<u>(58,556)</u>	<u>(57,918)</u>	<u>(50,564)</u>	<u>58,753</u>	<u>59,625</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 344,748	\$ 361,012	\$ 399,986	\$ 362,469	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	0.00%	0.00%

* GASB was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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

CITY OF BARDWELL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN
June 30, 2020

NOTE 1 -- COUNTY EMPLOYEES RETIREMENT SYSTEM (NON-HAZARDOUS)

Changes of assumptions and benefit terms

2017 Since the prior measurement date the demographic and economic assumptions that effect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced form 4.00% to 3.05%.

2016 There were no changes in assupmtions and benefit terms since the prior measurement date.

In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made: payroll growth increased from zero to 2.00%; salary increases changed from an average of 3.05% to 3.30% to 10.30% based on service type; and mortality tables changed from RP-2000 Combined Mortality Table to PUB-2010 General Mortality Table.

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

CITY OF BARDWELL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
County Employees Retirement System
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.014308%	0.016138%	0.014902%
City's proportionate share of OPEB liability (asset)	\$ 240,654	\$ 286,527	\$ 299,581
City's covered-employee payroll	\$ 344,748	\$ 361,012	\$ 399,986
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	69.81%	79.37%	74.90%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	53.40%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in the fiscal year 2018.

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

CITY OF BARDWELL
SCHEDULE OF CONTRIBUTIONS
County Employees Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contributions	\$ 16,410	\$ 18,989	\$ 18,799
Contributions in relation to the contractually required contributions	<u>16,410</u>	<u>(18,989)</u>	<u>(18,799)</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 344,748	\$ 361,012	\$ 399,986
Contributions as a percentage of covered-employee payroll	4.76%	5.26%	4.70%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

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

CITY OF BARDWELL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
June 30, 2020

NOTE 1 -- COUNTY EMPLOYEES RETIREMENT SYSTEM (NON-HAZARDOUS)

Changes in assumptions and benefit terms

2017

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made: payroll growth increased from zero to 2.00%; salary increases changed from an average of 3.05% to 3.30% to 10.30% based on service type; and mortality tables changed from RP-2000 Combined Mortality Table to PUB-2010 General Mortality Table.

CITY OF BARDWELL
DETAILED STATEMENT OF EXPENDITURES
SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND
For The Year Ended June 30, 2020

	General	Public	Public	West		Total
	Administrative	Work	Safety	Bardwell	Police	Government
			Fire	Fire Dept.		Activities
Salaries	\$ 9,500	\$ 50,636	\$ -	\$ -	\$ 55,207	\$ 115,343
Payroll Taxes	727	3,890	-	-	4,056	8,673
Retirement	-	12,230	-	-	12,755	24,985
Health & Life Insurance	482	-	-	-	-	482
Telephone	197	-	458	-	-	655
Postage	250	-	-	-	-	250
Professional Fees	9,217	-	-	-	-	9,217
Tax Bill Preparation	1,368	-	-	-	-	1,368
Legal Services	5,750	-	-	-	-	5,750
Advertising	5,104	-	-	-	-	5,104
Offices Supplies & Equipment	10,477	-	20,247	2,143	9,311	42,178
Software Support	-	-	-	-	-	-
Professional Dues	529	-	125	-	160	814
Community Projects	-	-	-	-	-	-
Insurance and Bonds	28,929	(622)	-	-	-	28,307
Travel and Training	15,641	-	-	-	440	16,081
Building Maintenance	230	-	-	-	-	230
Miscellaneous	6,307	6,121	(1,135)	(38)	-	11,255
City Clean Up / Trash Service	525	-	-	-	-	525
Uniforms	-	-	-	-	-	-
Fuel	2,855	-	606	-	866	4,327
Equipment & Vehicle Maint.	2,090	19,770	7,043	-	978	29,881
Education	-	-	-	-	-	-
Supplies	-	9,297	-	-	-	9,297
Capital Expenditures	-	-	-	-	-	-
Street Maintenance	-	-	-	-	-	-
Contract Labor	28,792	13,198	660	2,535	-	45,185
Total Expenses	128,970	114,520	28,004	4,640	83,773	359,907
Debt Service	27,983	174,304	2,592	18,195	-	223,074
Total Expenses and Transfers	\$ 156,953	\$ 288,824	\$ 30,596	\$ 22,835	\$ 83,773	\$ 582,981

See Auditor's report and notes to the financial statements.

ADDITIONAL INFORMATION

**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***

To the Honorable Mayor Philip King
And Members of the City Council
Bardwell, 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 Bardwell, Kentucky as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Bardwell, Kentucky's basic financial statements and have issued our report thereon dated May 31, 2022.

Internal Control Over Financial Reporting

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

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

To the Honorable Mayor Philip King
And Members of the City Council
Page Two

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. [2020-1 and 2020-2]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bardwell, Kentucky's financial statements are free of material misstatement, we performed test 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*.

City of Bardwell, Kentucky's Response to Findings

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

Purpose of this Report

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

Reed & Co. of Mayfield, PSC
Certified Public Accountants
Mayfield, Kentucky
May 31, 2022

**CITY OF BARDWELL, KENTUCKY
SCHEDULE OF FINDING(S)
For the Year Ended June 30, 2020**

FINDING(S) - FINANCIAL STATEMENT AUDIT

2020-1 - Lack of Segregation of Duties

Statement of Condition:

Due to the size of administrative staff, internal control is limited and adequate segregation of duties does not exist.

Criteria:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that money received and disbursed is safeguarded against loss from unauthorized use, and that transactions are excluded in accordance with management's authorization.

Cause:

The staff size of the City of Bardwell, Kentucky, limits the ability to rotate duties and implement certain checking procedures.

Effect:

This limitation may affect the City's ability to record, process, summarize and report financial data consistent with management's authorization. The possibility of the City's funds being misappropriated by a single employee is increased.

Recommendation:

Management should strive to separate duties, including procedures related to the reconciliation of the bank statements to the books (check book, etc.); and procedures related to the receipt of unopened bank statements and review of the bank statement transactions by a person not involved in the deposit of funds and/or signing of checks.

View(s) of Responsible Officials and Planning Corrective Actions:

We concur with the recommendation and the finding. The City Council will discuss the matter with key personnel.

2020-2 - Financial Reporting

Statement of Condition:

The auditor, from the City's books of original entry, assisted in the drafting of the financial statements and notes for the City.

Criteria:

Internal controls should be in place for the chairman to review and approve monthly or quarterly Generally Accepted Accounting Principles (GAAP) financial statements and notes. The City is to accept full responsibility for the accuracy of the GAAP financial statements and notes.

Cause:

The City does not have appropriate procedures in place to achieve the criteria.

Effect:

Based upon the entity's present financial statements, the City's auditor is assisting in preparing the annual audited financial statements including notes.

Recommendation:

Procedures should be implemented to allow the City to prepare their own monthly or quarterly GAAP financial statements and notes without assistance from the auditor(s).

View(s) of Responsible Officials and Planned Corrective Actions:

Management is aware of the situation regarding the preparation of GAAP financial statements and is currently looking into the best way to handle the situation.