

**CITY OF BARDWELL
BARDWELL, KENTUCKY**

**ANNUAL
FINANCIAL REPORT**

June 30, 2021

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 (as applicable) of the City of Bardwell, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 June 29, 2023, 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
June 29, 2023

BARDWELL CITY OFFICIALS
June 30, 2021

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 37,520	\$ 199,836	\$ 237,356
Receivables			
Taxes	13,978		13,978
Billed	-	33,416	33,416
Unbilled	-	130,361	130,361
Bond Receivable	-	-	-
Grants / Interfund	-	-	-
Prepays and Other Assets	-	-	-
Accrued Interest	32	16	48
Inventory	-	50,090	50,090
Restricted Cash and Cash Equivalents	-	57,968	57,968
Capital Assets:			
Non-Depreciable	38,775	47,216	85,991
Depreciable, Net of Depreciation	1,592,235	3,344,905	4,937,140
Deferred Outflows Related to Pension	39,709	152,001	191,710
Deferred Outflows Related to OPEB	41,716	134,226	175,942
Total Assets	1,763,965	4,150,035	5,914,000
LIABILITIES			
Accounts Payable	4,574	39,526	44,100
Accrued Expenses / Interfund Payable	8,039	-	8,039
Meter Deposits	-	98,784	98,784
Compensated Absences	3,139	10,171	13,310
Net Pension Liability	236,791	791,208	1,027,999
Net OPEB Liability	72,797	250,748	323,545
Bond Payable	-	993,333	993,333
Long-Term Debt	240,904	34,192	275,096
Total Liabilities	566,244	2,217,962	2,784,206
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Amount(s)	22,161	73,998	96,159
Deferred OPEB Amount	23,951	73,543	97,494
Total Deferred Inflow of Resources	46,112	147,541	193,653
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,392,273	2,364,895	3,757,168
Restricted For:			
Meter Deposits	-	98,784	98,784
Unrestricted	(240,664)	(679,147)	(919,811)
TOTAL NET POSITION	\$ 1,151,609	\$ 1,784,532	\$ 2,936,141

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

CITY OF BARDWELL, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

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	\$ 212,928		\$ 31,700		\$ (181,228)		\$ (181,228)
Protection to Persons and Property	164,153		35,550		\$ (128,603)		\$ (128,603)
Public Works	150,729		5,446	52,717	\$ (92,566)		\$ (92,566)
Interest on Short-Term Debt			-		\$ -		
Total Governmental Activities	<u>527,810</u>	<u>-</u>	<u>72,696</u>	<u>52,717</u>	<u>(402,397)</u>	<u>-</u>	<u>(402,397)</u>
Business-Type Activities							
Bardwell Utilities	1,716,755	1,715,853	-	-	-	(902)	(902)
Total Business-Type Activities	1,716,755	1,715,853	-	-	-	(902)	(902)
Total Primary Government	\$ 2,244,565	\$ 1,715,853	\$ 72,696	\$ 52,717	(402,397)	(902)	(403,299)
General Revenues:							
Taxes:							
					57,695	-	57,695
					2,504	-	2,504
					13,232	-	13,232
					126,598	-	126,598
					107,062	-	107,062
					6	-	6
					24,691		24,691
					41,075		41,075
					88,723	(88,723)	(0)
				Total General Revenues	461,586	(88,723)	372,863
				Change in Net Position	59,189	(89,625)	(30,436)
Net Position, Beginning of Year					1,092,420	1,874,157	2,966,577
Net Position, End of Year					\$ 1,151,609	\$ 1,784,532	\$ 2,936,141

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, 2021

	General Fund	WBFD Fund	Total Governmental Fund(s)
ASSETS			
Cash and Cash Equivalents	\$ 35,021	\$ 2,499	\$ 37,520
Grants Receivable / Interfund Receivable	-	-	-
Taxes Receivable	14,010	-	14,010
Total Assets	\$ 49,031	\$ 2,499	\$ 51,530
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	2,074	-	2,074
Accrued Wages and Benefits	13,679	-	13,679
Total Liabilities	15,753	-	15,753
Deferred Inflows of Resources			
Unavailable / Unearned Revenue - Property Taxes	-	-	-
FUND BALANCES:			
Restricted	-	2,499	2,499
Assigned	-	-	-
Unassigned	33,278	-	33,278
Total Fund Balances	33,278	2,499	35,777
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 49,031	\$ 2,499	

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.	1,631,010
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	(240,904)
Net Pension Liability	(236,791)
Net OPEB Liability	(72,798)
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.	81,426
Deferred inflows of resources represent difference between projected and actual investment earnings.	(46,111)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,151,609

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, 2021

	<u>General Fund</u>	<u>WBFD Fund</u>	<u>Governmental Fund(s)</u>
REVENUES:			
Taxes	\$ 290,576	\$ 20,125	\$ 310,701
Licenses and Permits	6,479	-	6,479
Intergovernmental Revenues	126,872	6,268	133,140
Charges for Services and Use of Property		4,077	4,077
Miscellaneous	2,226	150	2,376
Interest	6	-	6
Other	422		422
Total Revenues	<u>426,581</u>	<u>30,620</u>	<u>457,201</u>
EXPENDITURES:			
General Government	127,787	-	127,787
Protection to Persons and Property	123,230	-	123,230
Public Works	115,251	-	115,251
Debt Service	252,437	31,528	283,965
Total Expenditures	<u>618,705</u>	<u>31,528</u>	<u>650,233</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (uses)	<u>(192,124)</u>	<u>(908)</u>	<u>(193,032)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds From Sale of Assets	41,075	-	41,075
Proceeds From Financing Obligations	11,300		11,300
Transfers to Other Funds	(28,029)	-	(28,029)
Transfers From Other Funds	116,752	-	116,752
Total Other Financing Sources (Uses)	<u>141,098</u>	<u>-</u>	<u>141,098</u>
Net Change in Fund Balances	(51,026)	(908)	(51,934)
Fund Balance - Beginning	<u>84,304</u>	<u>3,407</u>	<u>87,711</u>
Fund Balance - Ending	<u>\$ 33,278</u>	<u>\$ 2,499</u>	<u>\$ 35,777</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, 2021

**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 \$ (51,934)

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	212,154
Depreciation Expense	(136,283)
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. (11,300)

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

Note Principal Payment	59,653
------------------------	--------

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 using the economic resource measurement focus and the full accrual basis of accounting.

City Pension Contribution (Deferred Outflows) / Cost of Pension Benefits Earned	(14,783)
City OPEB Contribution (Deferred Outflows) / Cost of OPEB Benefits Earned	1,682

Change in Net Position - Governmental Activities	\$ 59,189
---	------------------

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, 2021

	Business-type Activities
	Enterprise / Utility
	Fund
ASSETS	
Current Assets:	
Current Cash and Cash Equivalents	\$ 199,836
Receivables:	
Billed	33,416
Unbilled	130,361
Interfund Receivable	-
Bond Receivable	-
Accrued Interest	16
Inventories	50,090
TOTAL CURRENT ASSETS	413,719
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	57,968
Capital Assets:	
Land	47,216
Plant and Equipment	6,851,163
Less Accumulated Depreciation	(3,506,258)
TOTAL NONCURRENT ASSETS	3,450,089
Deferred Outflows of Resources	
Deferred Pension Amounts	152,001
Deferred OPEB Amounts	134,226
TOTAL OUTFLOWS	286,227
TOTAL ASSETS	4,150,035
LIABILITIES	
Current Liabilities:	
Account Payable	39,526
Accrued Expenses / Interfund Payable	-
Meter Deposits	98,784
Compensated Absences	10,171
Current Portion of Long-Term Debt	34,192
TOTAL CURRENT LIABILITIES	182,673
Noncurrent Liabilities:	
Net Pension Liability	791,208
Net OPEB Liability	250,748
Notes Payable / Bond Payable	993,333
TOTAL NONCURRENT LIABILITIES	2,035,289
TOTAL LIABILITIES	2,217,962
Deferred Inflows of Resources:	
Deferred Pension Amounts	73,998
Deferred OPEB Amounts	73,543
TOTAL INFLOWS	147,541
NET POSITION	
Invested in Capital Assets, Net of Related Debt	2,364,895
Restricted For:	
Meter Deposit	98,784
Unrestricted	(678,847)
TOTAL NET POSITION	\$ 1,784,532

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, 2021

	Business-type Activities
	Enterprise / Utility
	Fund
OPERATING REVENUES	
Charges For Services	\$ 1,695,178
Material & Miscellaneous	20,675
Capital Grants	-
TOTAL OPERATING REVENUES	1,715,853
OPERATING EXPENSES	
Utility Purchases	777,534
General Expenses	250,311
Wages and Related Expense	295,560
Employee Benefits	106,556
Insurance	47,102
Contract Labor	24,241
Fuel and Vehicle Expense	16,088
Professional Fees	-
Loss on Sale of Asset	
Depreciation	157,005
TOTAL OPERATING EXPENSES	1,674,397
OPERATING INCOME (LOSS)	41,456
NONOPERATING REVENUES (EXPENSE)	
Interest Income	-
Interest Expense	(42,358)
TOTAL NONOPERATING REVENUES	(42,358)
(EXPENSE)	(42,358)
Income (Loss) Before Contributions & Transfers	(902)
OTHER	
Transfers In / (Out) / Misclassifications	-
Transfers In	28,029
Transfers Out	(116,752)
Capital Contributions	-
TOTAL CONTRIBUTIONS AND	(88,723)
TRANSFERS	(88,723)
CHANGE IN NET POSITION	(89,625)
Total Net Position - Beginning of Year	1,874,157
Total Net Position - End of Year	\$ 1,784,532

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, 2021

	Business-type Activities Enterprise / Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 1,774,145
Receipts From Grants- Operating	-
Payments to Suppliers	(1,149,916)
Payments To Employees	(402,116)
Net Cash Provided By Operating Activities	222,113
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Disposition of Fixed Assets	-
Transfers Net	(88,723)
Net Cash Provided (Used) By Noncapital Financing Activities	(88,723)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Pension / OPEB Liability / Deferred	39,296
Proceeds from Capital Grants	-
Proceeds From Loans	-
Principal Payment on Loans	(62,141)
Acquisition of Fixed Assets	(5,744)
Interest Paid on Loans	(42,358)
Net Cash (Used) Provided By Capital and Related Financing Activities	(70,947)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	-
Net Cash Provided By Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	62,443
Cash and Cash Equivalents - July 1	195,361
Cash and Cash Equivalents - June 30	\$ 257,804

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, 2021

<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)	\$ 41,456
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	157,005
(Increase) Decrease In:	
Accounts Receivable	75,975
Prepaid and Other Assets	190,399
Increase (Decrease)	
Accounts Payable	(34,640)
Accrued Expenses	(216,822)
Compensated Absences	-
Meter Deposits	<u>8,740</u>
 Net Cash Provided By Operating Activities	 <u><u>\$ 222,113</u></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, 2021

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 2020 financial statement amounts may have been reclassified to conform to the 2021 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 \$367,652 at June 30, 2021, 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 \$193,653 at June 30, 2021, 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, 2021, did not have any investments that needed to be fair value measured.

At June 30, 2021, 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, 2021.

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, 2021, 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, 2021, 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, 2021 is as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government Governmental Activities				
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	695,680	62,328	(18,080)	739,928
Vehicles	541,956	149,831	(31,302)	660,485
Infrastructure	2,847,788	-	-	2,847,788
Total Capital Assets Being Depreciated	4,690,415	212,159	(49,382)	4,853,192
Less Accumulated Depreciation For:				
Buildings	(236,718)	(9,606)	-	(246,324)
Equipment	(426,631)	(40,953)	18,080	(449,504)
Vehicles	(364,990)	(34,558)	31,302	(368,246)
Infrastructure	(2,145,713)	(51,166)	-	(2,196,879)
Total Accumulated Depreciation	(3,174,052)	(136,283)	49,382	(3,260,953)
Total Capital Assets, Being Depreciated, Net	1,516,363	75,876	-	1,592,239
Governmental Activities Capital, Assets, Net	\$ 1,555,138	\$ 75,876	\$ -	\$ 1,631,014

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

<u>Governmental Activities:</u>	
General Government	68,638
Protection to Persons and Property	38,887
Public Works including Infrastructure	28,758
Total Depreciation Expense-Governmental Activities	\$ 136,283

Capital asset activity for business-type activities for the year ended June 30, 2021 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business - Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 47,217	\$ -	\$ -	\$ 47,217
Construction in Process	-	-	-	-
Total Capital Assets Not Being Depreciated	47,217	-	-	47,217
Capital Assets Being Depreciated:				
Plant and Equipment	6,845,419	5,744	-	6,851,163
Total Capital Assets Being Depreciated	6,845,419	5,744	-	6,851,163
Less Accumulated Depreciation For:				
Plant and Equipment	(3,349,254)	(157,005)	-	(3,506,259)
Total Accumulated Depreciation	(3,349,254)	(157,005)	-	(3,506,259)
Total Capital Assets, Being Depreciated, Net	3,496,165	(151,261)	-	3,344,904
Business-Type Activities Capital Assets, Net	\$ 3,543,382	\$ (151,261)	\$ -	\$ 3,392,121

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	\$ 157,005
Total Depreciation Expense-Business-type Activities	\$ 157,005

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, 2021, the balance due was \$100,787. 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>
2022	8,534	2,338
2023	8,811	2,030
2024	9,087	1,713
2025	9,365	1,386
2026-2029	64,990	9,619
Totals	<u>\$ 100,787</u>	<u>\$ 17,086</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, 2021, the balance due was \$9,091, with annual principal and interest payments due in September this year in the amount of \$9,415.

<u>Fiscal Year Ended June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	9,091	324
Totals	<u>\$ 9,091</u>	<u>\$ 324</u>

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, 2021 is \$11,963 with principal and interest payments due monthly, re-evaluated yearly.

Note Payable - UDA - Extrication Equipment

On December 3, 2020, the City entered into a promissory note with the United States Department of Agriculture (USDA) for the amount of \$11,300. The purpose of this loan was for part of the cost of purchasing extrication equipment. Rate of interest is 2.125%. As of June 30, 2021, the balance due was \$11,300 with a payment due annually in December. 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>
2022	2,167	240
2023	2,213	194
2024	2,260	147
2025	2,308	99
2026	2,352	50
Totals	<u>\$ 11,300</u>	<u>\$ 730</u>

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, 2021, the balance due was \$2,772 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>
2022	2,492	57
2023	280	1
Totals	<u>\$ 2,772</u>	<u>\$ 58</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, 2021, the balance due was \$5,711 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>
2022	2,548	262
2023	2,548	262
2024	615	63
Totals	<u>\$ 5,711</u>	<u>\$ 587</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, 2021 is \$64,272 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, 2021, the balance due was \$11,781 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>
2022	3,822	324
2023	3,927	219
2024	4,032	114
Totals	<u>\$ 11,781</u>	<u>\$ 657</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, 2021, the balance due was \$23,226 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>
2022	5,604	552
2023	5,738	418
2024	5,873	283
2025	6,011	145
Totals	<u>\$ 23,226</u>	<u>\$ 1,398</u>

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, 2021 the balance due was \$34,192, 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>
2022	13,776	1,529
2023	14,358	946
2024	6,058	325
Totals	<u>\$ 34,192</u>	<u>\$ 2,800</u>

C. Changes in Long-Term Debt

Long-Term debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Primary Government:				
<u>Government Activities:</u>				
Note Payable-Citizens Bank	\$ 107,824		\$ 7,037	\$ 100,787
Note Payable-Citizens Bank	17,504		8,413	9,091
Note Payable-First KY Bank	8,909		8,909	-
Note Payable-Citizens Bank	10,600		10,600	-
Note Payable-First KY Bank	23,258		11,295	11,963
Note Payable-USDA	5,222		2,450	2,772
Note Payable-First KY Bank	6,942		1,231	5,711
Note Payable-Citizens Bank	64,796		524	64,272
Note Payable-USDA-D. Truck	15,500		3,719	11,781
Note Payable-USDA-Excav.	28,700		5,474	23,226
Note Payable-Extrication Eq		11,301	-	11,301
Government Activities				
Long-Term Liabilities	\$ 289,255	\$ 11,301	\$ 59,652	\$ 240,904
<u>Business-Type Activities:</u>				
Note Payable-Citizens Bank	56,333	-	22,141	34,192
Business-Type Activities				
Long-term Liabilities	\$ 56,333	\$ -	\$ 22,141	\$ 34,192

D. BOND - KENTUCKY BOND CORPORATION

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2021:

	Balance 6/30/2020	Transfers, Issues, or Additions	Transfer, Payments, or Deletions	Balance 6/30/2021
Proprietary Activities				
Kentucky Bond Corporation / Bonds	\$ 1,033,333	\$ -	\$ 40,000	\$ 993,333
Total Long-Term Debt	\$ 1,033,333	\$ -	\$ 40,000	\$ 993,333

At June 30, 2021, the long-term debt consisted of:

Proprietary Activities

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

YEAR	PRINCIPAL	INTEREST	FEES	TOTAL
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
	\$ 993,333	\$ 381,634	\$ 33,248	\$ 1,408,215

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 \$11,706 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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 year service and 55 years old
		At least 25 years service and any age

Tier 2	Participation date	September 1, 2008 -- December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	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, 2021, 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	<u><u>\$1,027,999</u></u>
--	---------------------------

The net pension liability of the plan was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.013403%.

For the year ended June 30, 2021, the City's recognized pension expense was \$148,591. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>County Employees Retirement System (CERS)</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,635	\$ 18,836
Change of assumptions	40,142	-
Net differences between projected and actual earnings on pension plan investments	44,560	
Changes in proportion and difference between District contributions and proportionate share of contributions	7,976	77,323
City contributions subsequent to the measurement date	73,397	-
Total	<u>\$ 191,710</u>	<u>\$ 96,159</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>	
	2021	3,384	2023	10,011
	2022	(1,574)	2024	10,332

Actuarial assumptions -- The total pension liability in the June 30, 2021, 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	\$1,267,746	\$1,027,999	\$829,479

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

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 2020-2021 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, 2021.

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

At June 30, 2021, the City reported a liability of \$323,545 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, 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, 2021, the City's proportion for the non-hazardous system was 0.013399%.

For the year ended June 30, 2021, the City recognized OPEB expense of (\$6,734) At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>County Employees Retirement System (CERS)</u>		
Differences between expected and actual experience	\$ 54,058	\$ 54,100
Net differences between projected and actual earnings on OPEB plan investments	17,356	6,601
Change of assumptions	56,278	343
Changes in proportion and difference between employer contributions and proportionate share of contributions	10,148	36,450
City contributions subsequent to the measurement date	38,102	-
Total	<u>\$ 175,942</u>	<u>\$ 97,494</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,	
2021	11,947
2022	15,130
2023	9,044
2024	6,429
2025	(2,205)
Thereafter	-
Total	\$ 40,345

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

Valuation date	June 30, 2020
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
\$415,660	\$323,545	\$247,888

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%	Current	1%
<u>Decrease</u>	<u>Healthcare Cost</u>	<u>Increase</u>
\$250,505	\$323,545	\$412,181

Total OPEB liability as of June 30, 2021 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, 2021, the City reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

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, 2021, 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, 2021, interfund transfers consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Utility Fund(s)	\$ 28,029	\$ 116,752
General Fund	<u>\$ 116,752</u>	<u>\$ 28,029</u>

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 - June 29, 2023.

NOTE 14. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases* and the related *Implementation Guide* No. 2019-3, 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 2023.

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 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, provides single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note. (FY 2023)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. (FY 2021 and FY 2022)

GASB Statement No 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. (FY 2023)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). (FY 2023)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. (FY 2022)

**SUPPLEMENTARY
INFORMATION**

CITY OF BARDWELL
BUDGETARY COMPARISON SCHEDULE
Required Supplementary Information
For The Year Ended June 30, 2021

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 298,350	\$ 298,350	\$ 290,576	\$ (7,774)
Licenses and Permits	1,950	1,950	6,479	4,529
Intergovernmental Revenues	210,600	210,600	126,872	(83,728)
Charges for Services	29,704	29,704	-	(29,704)
Miscellaneous	30,000	30,000	2,648	(27,352)
Interest	1,000	1,000	6	(994)
Total Revenues	571,604	571,604	426,581	(145,023)
EXPENDITURES				
General Government	491,715	491,715	188,601	303,114
Protection to Persons and Property	-	-	162,117	(162,117)
Public Works	-	-	150,729	(150,729)
Debt Service	76,297	76,297	117,258	(40,961)
Total Expenditures	568,012	568,012	618,705	(50,693)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	3,592	3,592	(192,124)	(195,716)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	41,075	41,075
Proceeds from Financing Obligations	-	-	11,300	11,300
Transfer To Other Funds	-	-	(28,029)	(28,029)
Transfers From Other Funds	(3,592)	(3,592)	116,752	120,344
Total Other Financing Sources (Uses)	(3,592)	(3,592)	141,098	144,690
Net Changes in Fund Balance	-	-	(51,026)	(51,026)
Fund Balance – Beginning	-	-	84,304	84,304
Fund Balance - Ending	\$ -	\$ -	\$ 33,278	\$ 33,278

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

CITY OF BARDWELL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

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 *

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.013403%	0.014312%	0.016138%	0.014902%	0.014410%	0.014540%	0.001471%
City's proportionate share of the net pension liability	\$ 1,027,999	\$ 1,006,569	\$ 982,853	\$ 872,601	\$ 709,400	\$ 625,221	\$ 477,215
City's covered-employee payroll	\$ 361,597	\$ 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	284.29%	291.97%	272.25%	218.16%	195.71%	181.59%	141.42%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	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 *

	2021	2020	2019	2018	2017	2016	2015
Contractually required	\$ 69,788	\$ 66,536	\$ 58,556	\$ 57,918	\$ 50,564	\$ 58,753	\$ 59,625
Contributions in relation to the contractually required contributions	\$ (69,788)	(66,536)	(58,556)	(57,918)	(50,564)	58,753	59,625
Contribution (excess) deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 361,597	\$ 344,748	\$ 361,012	\$ 399,986	\$ 362,469	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	19.30%	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, 2021

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 assumptions 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.013399%	0.014308%	0.016138%	0.014902%
City's proportionate share of OPEB liability (asset)	\$ 323,545	\$ 240,654	\$ 286,527	\$ 299,581
City's covered-employee payroll	\$ 361,597	\$ 344,748	\$ 361,012	\$ 399,986
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	89.47%	69.81%	79.37%	74.90%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 16,341	\$ 16,410	\$ 18,989	\$ 18,799
Contributions in relation to the contractually required contributions	(16,341)	<u>(16,410)</u>	<u>(18,989)</u>	<u>(18,799)</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 361,597	\$ 344,748	\$ 361,012	\$ 399,986
Contributions as a percentage of covered-employee payroll	4.51%	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, 2021

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, 2021

	<u>General</u> <u>Administrative</u>	<u>Public</u> <u>Works</u>	<u>Public</u> <u>Safety</u> <u>Fire</u>	<u>West</u> <u>Bardwell</u> <u>Fire Dept.</u>	<u>Police</u>	<u>Total</u> <u>Government</u> <u>Activities</u>
Hourly & Salaries	\$ 25,020	\$ 52,216	\$ -	\$ -	\$ 52,974	\$ 130,210
Payroll Taxes	1,899	3,871	-	-	3,915	9,685
Retirement	2,207	12,361	-	-	12,725	27,293
Health, Life & Accident Ins.	11,206	3,196	-	-	3,278	17,680
Telephone	6,873	-	1,221	-	495	8,589
Postage	1,167	-	-	-	-	1,167
Professional Dues & Fees	8,716	-	100	-	290	9,106
Tax Bill Preparation	1,385	-	-	-	-	1,385
Legal Services	5,500	-	-	-	-	5,500
Advertising	524	-	-	-	-	524
Offices Supplies & Equipment	23,993	-	-	-	5,993	29,986
Software Support	-	-	-	-	-	-
Community Projects	-	-	-	-	-	-
Insurance and Bonds	800	-	-	-	346	1,146
Travel & Training	12,764	-	150	-	859	13,773
Meals	2,800	-	2,620	-	-	5,420
Building Maintenance	-	-	-	-	-	-
Miscellaneous	485	-	-	-	150	635
Worker's Compensation	4,197	-	-	-	-	4,197
Uniforms	-	-	-	-	947	947
Fuel	-	2,745	324	-	1,575	4,644
Equipment & Vehicle Maint.	4,696	3,445	20,167	-	2,175	30,483
Education	-	-	-	-	-	-
Supplies	13,555	19,263	4,913	-	2,488	40,219
Street Maintenance	-	-	-	-	-	-
Contract Labor	-	18,154	165	-	5,360	23,679
Total Expenses	127,787	115,251	29,660	-	93,570	366,268
Debt Service	15,147	128,609	106,087	31,528	2,594	283,965
Total Expenses and Transfers	\$ 142,934	\$ 243,860	\$ 135,747	\$ 31,528	\$ 96,164	\$ 650,233

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, 2021, 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 June 29, 2023.

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. [2021-1 and 2021-2]

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
June 29, 2023

**CITY OF BARDWELL, KENTUCKY
SCHEDULE OF FINDING(S)
For the Year Ended June 30, 2021**

FINDING(S) - FINANCIAL STATEMENT AUDIT

2021-1 - 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.

2021-2 - 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.