

**CITY OF BARDWELL
BARDWELL, KENTUCKY**

**ANNUAL
FINANCIAL REPORT**

June 30, 2022

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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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Bardwell, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

To the Honorable Mayor Philip King
And Members of the City Council
City of Bardwell, Kentucky
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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

Management has omitted 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

The 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

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

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Bardwell City Officials, but, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2024 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. 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
April 30, 2024

BARDWELL CITY OFFICIALS
June 30, 2022

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 Cunningham	City Clerk / City Treasurer
Mark Drysdale	Utilities Clerk

CITY OF BARDWELL, KENTUCKY
STATEMENT OF NET POSITION
For the Year Ended June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 160,460	\$ 258,589	\$ 419,049
Receivables		-	-
Taxes	9,225	-	9,225
Billed	-	63,077	63,077
Unbilled	-	129,942	129,942
Bond Receivable	-	-	-
Grants / Interfund	-	-	-
Prepays and Other Assets	-	-	-
Accrued Interest	32	16	48
Inventory	-	50,090	50,090
Restricted Cash and Cash Equivalents	-	75,865	75,865
Capital Assets:			
Non-Depreciable	38,775	47,216	85,991
Depreciable, Net of Depreciation	1,474,433	3,203,798	4,678,231
Deferred Outflows Related to Pension	51,186	186,430	237,616
Deferred Outflows Related to OPEB	47,342	151,104	198,446
Total Assets	1,781,453	4,166,127	5,947,580
LIABILITIES			
Accounts Payable	2,276	33,162	35,438
Accrued Expenses / Interfund Payable	20,715	8,376	29,091
Meter Deposits	-	108,739	108,739
Compensated Absences	3,139	10,171	13,310
Net Pension Liability	216,221	729,499	945,720
Net OPEB Liability	62,884	221,010	283,894
Bond Payable	-	951,250	951,250
Long-Term Debt	184,176	-	184,176
Total Liabilities	489,411	2,062,207	2,551,618
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Amount(s)	48,920	154,277	203,197
Deferred OPEB Amount	42,409	128,917	171,326
Total Deferred Inflow of Resources	91,329	283,194	374,523
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,329,032	2,299,763	3,628,795
Restricted For:			
Meter Deposits	-	108,739	108,739
Unrestricted	(128,319)	(587,776)	(716,095)
TOTAL NET POSITION	\$ 1,200,713	\$ 1,820,726	\$ 3,021,439

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

CITY OF BARDWELL, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs Reporting Entity	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General Government	\$ 321,320	\$ -	\$ 221,325	\$ -	\$ (99,995)	\$ -	\$ (99,995)
Protection to Persons and Property	148,462	-	36,356	-	(112,106)	-	(112,106)
Public Works	126,989	-	14,408	-	(112,581)	-	(112,581)
Interest on Short-Term Debt					\$ -	-	\$ -
Total Governmental Activities	<u>596,771</u>	<u>-</u>	<u>272,089</u>	<u>-</u>	<u>(324,682)</u>	<u>-</u>	<u>(324,682)</u>
Business-Type Activities							
Bardwell Utilities	1,834,540	1,883,585	-	-		49,045	49,045
Total Business-Type Activities	<u>1,834,540</u>	<u>1,883,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,045</u>	<u>49,045</u>
Total Primary Government	<u>\$ 2,431,311</u>	<u>\$ 1,883,585</u>	<u>\$ 272,089</u>	<u>\$ -</u>	<u>(324,682)</u>	<u>49,045</u>	<u>(275,637)</u>
General Revenues:							
Taxes:							
					60,461	-	60,461
					2,139	-	2,139
					10,285	-	10,285
					135,909	-	135,909
					97,161	-	97,161
					-	-	-
					14,290	-	14,290
					40,690	-	40,690
					12,851	(12,851)	-
				Total General Revenues	<u>373,786</u>	<u>(12,851)</u>	<u>360,935</u>
				Change in Net Position	<u>49,104</u>	<u>36,194</u>	<u>85,298</u>
Net Position, Beginning of Year					<u>1,151,609</u>	<u>1,784,532</u>	<u>2,936,141</u>
Net Position, End of Year					<u>\$ 1,200,713</u>	<u>\$ 1,820,726</u>	<u>\$ 3,021,439</u>

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

CITY OF BARDWELL, KENTUCKY
GOVERNMENTAL FUND(S)
BALANCE SHEET
For the Year Ended June 30, 2022

	General Fund	WBFD Fund	Total Governmental Fund(s)
ASSETS			
Cash and Cash Equivalents	\$ 156,598	\$ 3,862	\$ 160,460
Grants Receivable / Interfund Receivable	-	-	-
Taxes Receivable	9,257	-	9,257
Total Assets	\$ 165,855	\$ 3,862	\$ 169,717
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	2,276	-	2,276
Accrued Wages and Benefits	23,854	-	23,854
Total Liabilities	26,130	-	26,130
Deferred Inflows of Resources			
Unavailable / Unearned Revenue - Property Taxes	-	-	-
FUND BALANCES:			
Restricted	-	3,862	3,862
Assigned	-	-	-
Unassigned	139,725	-	139,725
Total Fund Balances	139,725	3,862	143,587
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 165,855	\$ 3,862	

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.	1,513,208
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	(184,176)
Net Pension Liability	(216,221)
Net OPEB Liability	(62,884)
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.	98,528
Deferred inflows of resources represent difference between projected and actual investment earnings.	(91,329)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,200,713

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, 2022

	<u>General Fund</u>	<u>WBFD Fund</u>	<u>Governmental Fund(s)</u>
REVENUES:			
Taxes	\$ 305,233	\$ 19,807	\$ 325,040
Licenses and Permits	5,173	-	5,173
Intergovernmental Revenues	239,233	7,533	246,766
Charges for Services and Use of Property	-	5,866	5,866
Miscellaneous	7,067	2,423	9,490
Interest	-	-	-
Other	-	-	-
Total Revenues	<u>556,706</u>	<u>35,629</u>	<u>592,335</u>
EXPENDITURES:			
General Government	100,498	-	100,498
Protection to Persons and Property	160,278	9,096	169,374
Public Works	171,900	-	171,900
Debt Service	71,124	25,170	96,294
Total Expenditures	<u>503,800</u>	<u>34,266</u>	<u>538,066</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (uses)	<u>52,906</u>	<u>1,363</u>	<u>54,269</u>
OTHER FINANCING SOURCES (USES):			
Proceeds From Sale of Assets	40,690	-	40,690
Proceeds From Financing Obligations	-	-	-
Transfers to Other Funds	(43,710)	-	(43,710)
Transfers From Other Funds	56,561	-	56,561
Total Other Financing Sources (Uses)	<u>53,541</u>	<u>-</u>	<u>53,541</u>
Net Change in Fund Balances	106,447	1,363	107,810
Fund Balance - Beginning	<u>33,278</u>	<u>2,499</u>	<u>35,777</u>
Fund Balance - Ending	<u>\$ 139,725</u>	<u>\$ 3,862</u>	<u>\$ 143,587</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, 2022

**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 \$ 107,810

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	47,327
Depreciation Expense	(149,819)
Assets Disposed of, Net Book Value	(15,310)

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.

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

Note Principal Payments	56,728
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Governmental Funds report pension contributions as expenditures using the current financial resources measurement focus. However, in the Government wide Statement of Activities, the cost of pension benefits earned is reported using the economic resource measurement focus and the full accrual basis of accounting.

City Pension Contribution (Deferred Outflows) / Cost of Pension Benefits Earned	5,287
City OPEB Contribution (Deferred Outflows) / Cost of OPEB Benefits Earned	(2,919)

Change in Net Position - Governmental Activities	\$ 49,104
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The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF BARDWELL, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2022

	Business-type Activities
	Enterprise / Utility
	Fund
ASSETS	
Current Assets:	
Current Cash and Cash Equivalents	\$ 258,589
Receivables:	
Billed	63,077
Unbilled	129,942
Interfund Receivable	-
Bond Receivable	-
Accrued Interest	16
Inventories	50,090
TOTAL CURRENT ASSETS	501,714
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	75,865
Capital Assets:	
Land	47,216
Plant and Equipment	6,858,403
Less Accumulated Depreciation	(3,654,605)
TOTAL NONCURRENT ASSETS	3,326,879
Deferred Outflows of Resources	
Deferred Pension Amounts	186,430
Deferred OPEB Amounts	151,104
TOTAL OUTFLOWS	337,534
TOTAL ASSETS	4,166,127
LIABILITIES	
Current Liabilities:	
Account Payable	33,162
Accrued Expenses / Interfund Payable	8,376
Meter Deposits	108,739
Compensated Absences	10,171
Current Portion of Long-Term Debt	-
TOTAL CURRENT LIABILITIES	160,448
Noncurrent Liabilities:	
Net Pension Liability	729,499
Net OPEB Liability	221,010
Notes Payable / Bond Payable	951,250
TOTAL NONCURRENT LIABILITIES	1,901,759
TOTAL LIABILITIES	2,062,207
Deferred Inflows of Resources:	
Deferred Pension Amounts	154,277
Deferred OPEB Amounts	128,917
TOTAL INFLOWS	283,194
NET POSITION	
Invested in Capital Assets, Net of Related Debt	2,299,763
Restricted For:	
Meter Deposit	108,739
Unrestricted	(587,776)
TOTAL NET POSITION	\$ 1,820,726

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, 2022

	Business-type Activities
	Enterprise / Utility
	Fund
OPERATING REVENUES	
Charges For Services	\$ 1,847,277
Material & Miscellaneous	36,308
Capital Grants	-
TOTAL OPERATING REVENUES	1,883,585
OPERATING EXPENSES	
Utility Purchases	912,860
General Expenses	158,243
Wages and Related Expense	409,382
Employee Benefits	55,419
Insurance	65,504
Contract Labor	720
Fuel and Vehicle Expense	43,803
Professional Fees	-
Loss on Sale of Asset	-
Depreciation	148,347
TOTAL OPERATING EXPENSES	1,794,278
OPERATING INCOME (LOSS)	89,307
NONOPERATING REVENUES (EXPENSE)	
Interest Income	-
Interest Expense	(40,262)
TOTAL NONOPERATING REVENUES	(40,262)
(EXPENSE)	(40,262)
Income (Loss) Before Contributions & Transfers	49,045
OTHER	
Transfers In / (Out) / Misclassifications	-
Transfers In	43,710
Transfers Out	(56,561)
Capital Contributions	-
TOTAL CONTRIBUTIONS AND	(12,851)
TRANSFERS	(12,851)
CHANGE IN NET POSITION	36,194
Total Net Position - Beginning of Year	1,784,532
Total Net Position - End of Year	\$ 1,820,726

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, 2022

	Business-type Activities Enterprise / Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 1,864,298
Receipts From Grants- Operating	
Payments to Suppliers	(1,234,537)
Payments To Employees	(409,382)
Net Cash Provided By Operating Activities	220,379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Disposition of Fixed Assets	-
Transfers Net	(12,851)
Net Cash Provided (Used) By Noncapital Financing Activities	(12,851)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Pension / OPEB Liability / Deferred	(7,103)
Proceeds from Capital Grants	
Proceeds From Loans	
Principal Payment on Loans	(76,273)
Acquisition of Fixed Assets	(7,240)
Interest Paid on Loans	(40,262)
Net Cash (Used) Provided By Capital and Related Financing Activities	(130,878)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	-
Net Cash Provided By Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	76,650
Cash and Cash Equivalents - July 1	257,804
Cash and Cash Equivalents - June 30	\$ 334,454

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, 2022

<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)	\$ 89,307
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	148,347
(Increase) Decrease In:	
Accounts Receivable	(29,242)
Prepaid and Other Assets	-
Increase (Decrease) In:	
Accounts Payable	(6,364)
Accrued Expenses	8,376
Compensated Absences	-
Meter Deposits	9,955
Net Cash Provided By Operating Activities	<u>\$ 220,379</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, 2022

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 2021 financial statement amounts may have been reclassified to conform to the 2022 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 \$436,062.00 at June 30, 2022, 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 \$374,523.00 at June 30, 2022, 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, 2022, did not have any investments that needed to be fair value measured.

At June 30, 2022, 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, 2022.

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, 2022, 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, 2022, 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, 2022 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	739,928	47,323	(8,000)	779,251
Vehicles	660,485	-	(109,663)	550,822
Infrastructure	2,847,788	-	-	2,847,788
Total Capital Assets Being Depreciated	4,853,192	47,323	(117,663)	4,782,852
Less Accumulated Depreciation For:				
Buildings	(246,324)	(9,606)	-	(255,930)
Equipment	(449,504)	(36,078)	-	(485,582)
Vehicles	(368,246)	(52,969)	102,353	(318,862)
Infrastructure	(2,196,879)	(51,166)	-	(2,248,045)
Total Accumulated Depreciation	(3,260,953)	(149,819)	102,353	(3,308,419)
Total Capital Assets, Being Depreciated, Net	1,592,239	(102,496)	(15,310)	1,474,433
Governmental Activities Capital, Assets, Net	\$ 1,631,014	\$ (102,496)	\$ (15,310)	\$ 1,513,208

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

<u>Governmental Activities:</u>	
General Government	69,462
Protection to Persons and Property	32,071
Public Works including Infrastructure	48,286
Total Depreciation Expense-Governmental Activities	\$ 149,819

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Business - Type Activities:				
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	6,851,163	7,240	-	6,858,403
Total Capital Assets Being Depreciated	6,851,163	7,240	-	6,858,403
Less Accumulated Depreciation For:				
Plant and Equipment	(3,506,259)	(148,347)	-	(3,654,606)
Total Accumulated Depreciation	(3,506,259)	(148,347)	-	(3,654,606)
Total Capital Assets, Being Depreciated, Net	3,344,904	(141,107)	-	3,203,797
Business-Type Activities Capital Assets, Net	\$ 3,392,121	\$ (141,107)	\$ -	\$ 3,251,014

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	<u>\$ 148,347</u>

NOTE 5. LONG-TERM DEBT

A. Primary Government - Governmental Activities

Note Payable-Citizens Deposit Bank - 2007 Fire Truck

On October 21, 2015, the City entered into a note agreement with Citizens Deposit Bank in the amount of \$130,287. The purpose of the note was for purchasing a 2007 fire truck. The rate of interest on this note agreement is 3.250%, variable with annual payments due beginning December 21, 2016. As of June 30, 2022, the balance due was \$82,631. 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>
2023	8,811	2,030
2024	9,087	1,713
2025	9,365	1,386
2026	9,645	1,049
2027-2029	45,723	1,027
Totals	<u>\$ 82,631</u>	<u>\$ 7,205</u>

Note Payable - USDA - 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, 2022, the balance due was \$9,133 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>
2023	2,213	194
2024	2,260	147
2025	2,308	99
2026	2,352	50
Totals	<u>\$ 9,133</u>	<u>\$ 490</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, 2022 is \$63,669 with principal and interest payments due monthly, re-evaluated yearly.

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, 2022, the balance due was \$3,163 with a payment due each month. Future principal and interest payments are due as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2023	2,548	262
2024	615	63
Totals	\$ 3,163	\$ 325

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, 2022 is \$0.00 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, 2022, the balance due was \$7,958 with a payment due annually. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2023	3,927	219
2024	4,031	114
Totals	\$ 7,958	\$ 333

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, 2022, the balance due was \$17,621.00 with a payment due annually. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2023	5,738	418
2024	5,873	283
2025	6,010	145
Totals	\$ 17,621	\$ 846

B. Business-Type Activities

C. Changes in Long-Term Debt

Long-Term debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Primary Government:				
<u>Government Activities:</u>				
Note Payable-Citizens Bank	\$ 100,787	\$ -	\$ 18,156	\$ 82,631
Note Payable-Citizens Bank	9,091	-	9,091	-
Note Payable-First KY Bank	-	-	-	-
Note Payable-Citizens Bank	-	-	-	-
Note Payable-First KY Bank	11,963	-	11,963	-
Note Payable-USDA	2,772	-	2,772	-
Note Payable-First KY Bank	5,711	-	2,548	3,163
Note Payable-Citizens Bank	64,272	-	603	63,669
Note Payable-USDA-D. Truck	11,781	-	3,823	7,958
Note Payable-USDA-Excav.	23,226	-	5,605	17,621
Note Payable-Extrication Eq	11,301	-	2,168	9,133
Government Activities				
Long-Term Liabilities	\$ 240,904	\$ -	\$ 56,729	\$ 184,175
<u>Business-Type Activities:</u>				
Note Payable-Citizens Bank	34,192	-	34,192	-
Business-Type Activities				
Long-term Liabilities	\$ 34,192	\$ -	\$ 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 30,2022:

	Balance 6/30/2021	Transfers, Issues, or Additions	Transfer, Payments, or Deletions	Balance 6/30/2022
Proprietary Activities				
Kentucky Bond Corporation / Bonds	\$ 993,333	\$ -	\$ 42,083	\$ 951,250
Total Long-Term Debt	\$ 993,333	\$ -	\$ 42,083	\$ 951,250

At June 30, 2022, the long-term debt consisted of:

Proprietary Activities

Kentucky Bond Corporation / revenue bonds payable - balance \$951,250 with the following debt service development.

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>FEES</u>	<u>TOTAL</u>
2023	45,000	34,338	2,828	82,166
2024	45,000	32,988	2,716	80,704
2025	45,000	31,637	2,603	79,240
2026-2030	254,167	135,381	11,227	400,775
2031-2035	304,167	87,240	7,800	399,207
2036-2039	257,916	24,450	3,141	285,507
<u>\$ 951,250</u>	<u>\$ 346,034</u>	<u>\$ 30,315</u>	<u>\$ 1,327,599</u>	

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

NOTE 6. INTEREST ON LONG-TERM DEBT

Interest on Short-term and Long-term debt on the Statement of Activities includes \$7,549 in interest on notes in the governmental activities.

NOTE 7. EMPLOYEE RETIREMENT SYSTEM / PENSION PLAN

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

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

Plan description -- Employees whose positions do not require a college degree beyond a high school diploma are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

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

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

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

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

At June 30, 2022, 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>\$945,720</u></u>
--	-------------------------

The net pension liability of the plan was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.014833 %

For the year ended June 30, 2022, the City's recognized pension expense was \$81,220 . At June 30, 2022, 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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,860	\$ 9,179
Change of assumptions	12,693	-
Net differences between projected and actual earnings on pension plan investments	36,688	162,736
Changes in proportion and difference between District contributions and proportionate share of contributions	69,444	31,282
City contributions subsequent to the measurement date	107,931	
Total	<u>\$ 237,616</u>	<u>\$ 203,197</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>	
	2022	(9,022)	2024	(26,001)
	2023	981	2025	(39,470)

Actuarial assumptions -- The total pension liability in the June 30, 2022, 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	\$1,212,931	\$945,720	\$724,609

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

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

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

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

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

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61-692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

There was no legislation enacted during the 2021-2022 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, 2022.

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

At June 30, 2022, the City reported a liability of \$283,894 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, 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, 2022, the City's proportion for the non-hazardous system was % 0.014829

For the year ended June 30, 2022, the City recognized OPEB expense of \$11,677. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>County Employees Retirement System (CERS)</u>		
Differences between expected and actual experience	\$ 44,642	\$ 84,761
Net differences between projected and actual earnings on OPEB plan investments	14,303	58,715
Change of assumptions	75,266	264
Changes in proportion and difference between employer contributions and proportionate share of contributions	27,938	27,586
City contributions subsequent to the measurement date	36,297	-
Total	<u>\$ 198,446</u>	<u>\$ 171,326</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,	
2022	6,736
2023	(9)
2024	(2,700)
2025	(13,204)
Thereafter	-
Total	<u>\$ (9,177)</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2021 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

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

will not be paid out of the City's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

1% Decrease	Current Discount	1% Increase
<u>\$389,784</u>	<u>\$283,894</u>	<u>\$196,993</u>

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

1% Decrease	Current Healthcare Cost	1% Increase
<u>\$204,370</u>	<u>\$283,894</u>	<u>\$379,880</u>

Total OPEB liability as of June 30, 2022 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, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

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, 2022, 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, 2022, interfund transfers consist of the following:

	Transfer In	Transfer Out
Utility Fund(s)	<u>\$ 43,710</u>	<u>\$ (56,561)</u>
General Fund	<u>\$ 56,561</u>	<u>\$ (43,710)</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 of the Independent Auditor's Report which represents the date of the accompanying financial statements were available to be issued.

NOTE 14. CLAIMS AND JUDGEMENTS

The City participates in some of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 15. EFFECT OF COVID-19 PANDEMIC

On March 11, 2020 the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors which are uncertain, unpredictable and outside of the control of the City. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

NOTE 16. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying assets. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

This statement was implemented in the prior year(s) and had no material effect on the financial statement

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, the requirements of this Statement were implemented and had no material effect on the financial statements.

GASB Statement No. 91, Conduit Debt Obligations, the requirements of this Statement were implemented and had no material effect on the financial statements.

GASB Statement No. 92, Omnibus 2020, the requirements of this Statement were implemented and had no material effect on the financial statements.

GASB Statement No 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, the requirements of this Statement were implemented and had no material effect on the financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for governments. This Statement defines an SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding a SBITA. The standards for SBITAs are based on the standards established in Statement No. 87 - Leases. The requirements of this Statement was implemented and had no material effect on the financial statements.

Statement No. 98, The Annual Comprehensive Report, the requirements of this Statement were implemented and have no material effect on the financial statements.

Statement No. 99, Omnibus 2022 effective for financial statements for the fiscal year ending June 30, 2024.

Statement No. 100, Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62 effective for financial statements for the fiscal year ending June 30, 2024.

GASB Statement No. 101, Compensated Absences, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

In addition to the pronouncements discussed previously, GASB has issued additional guidance for state and local governments that are not yet effective. The entity reviews each pronouncement to determine the impact of implementation in future periods.

**SUPPLEMENTARY
INFORMATION**

CITY OF BARDWELL
BUDGETARY COMPARISON SCHEDULE
Required Supplementary Information
For The Year Ended June 30, 2022

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary	Final Budget Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 245,150	\$ 245,150	\$ 305,233	\$ 60,083
Licenses and Permits	5,950	5,950	5,173	(777)
Intergovernmental Revenues	239,300	239,300	239,233	(67)
Charges for Services	-	-	-	-
Miscellaneous	20,000	20,000	7,067	(12,933)
Interest	1,000	1,000	-	(1,000)
Total Revenues	511,400	511,400	556,706	45,306
EXPENDITURES				
General Government	141,628	141,628	100,498	41,130
Protection to Persons and Property	179,302	179,302	160,278	19,024
Public Works	112,112	112,112	171,900	(59,788)
Debt Service	70,297	70,297	71,124	(827)
Total Expenditures	503,339	503,339	503,800	(461)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	8,061	8,061	52,906	44,845
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	40,690	40,690
Proceeds from Financing Obligations	-	-	-	0
Transfer To Other Funds	-	-	56,561	56,561
Transfers From Other Funds	(8,061)	(8,061)	(43,710)	(35,649)
Total Other Financing Sources (Uses)	(8,061)	(8,061)	53,541	61,602
Net Changes in Fund Balance	-	-	106,447	106,447
Fund Balance – Beginning	-	-	33,278	33,278
Fund Balance - Ending	\$ -	\$ -	\$ 139,725	\$ 139,725

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

CITY OF BARDWELL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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 *

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.014833%	0.013403%	0.014312%	0.016138%	0.014902%	0.014410%	0.014540%	0.001471%
City's proportionate share of the net pension liability	\$ 945,720	\$ 1,027,999	\$ 1,006,569	\$ 982,853	\$ 872,601	\$ 709,400	\$ 625,221	\$ 477,215
City's covered-employee payroll	\$ 473,797	\$ 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	199.60%	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	57.33%	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 *

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 102,839	\$ 69,788	\$ 66,536	\$ 58,556	\$ 57,918	\$ 50,564	\$ 58,753	\$ 59,625
Contributions in relation to the contractually required contributions	\$ (102,839)	\$ (69,788)	(66,536)	(58,556)	(57,918)	(50,564)	(58,753)	(59,625)
Contribution (excess) deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 473,797	\$ 361,597	\$ 344,748	\$ 361,012	\$ 399,986	\$ 362,469	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	21.71%	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, 2022

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

Changes of assumptions and benefit terms

2020: 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 6.25% to 6.26%..
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced form 4.00% to 2.00%.

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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.014829%	0.013399%	0.014308%	0.016138%	0.014902%
City's proportionate share of OPEB liability (asset)	\$ 283,894	\$ 323,545	\$ 240,654	\$ 286,527	\$ 299,581
City's covered-employee payroll	\$ 473,797	\$ 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	59.92%	89.47%	69.81%	79.37%	74.90%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contributions	\$ 18,034	\$ 16,341	\$ 16,410	\$ 18,989	\$ 18,799
Contributions in relation to the contractually required contributions	<u>\$ (18,034)</u>	<u>(16,341)</u>	<u>(16,410)</u>	<u>(18,989)</u>	<u>(18,799)</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 473,797	\$ 361,597	\$ 344,748	\$ 361,012	\$ 399,986
Contributions as a percentage of covered-employee payroll	3.81%	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, 2022

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

Changes in assumptions and benefit terms

2020

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 6.25% to 6.26%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

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

CITY OF BARDWELL
DETAILED STATEMENT OF EXPENDITURES
SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND
For The Year Ended June 30, 2022

	<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	\$ 19,343	\$ 77,452	\$ -	\$ -	\$ 76,598	\$ 173,393
Payroll Taxes	1,484	5,957	-	-	5,905	13,346
Retirement	-	20,917	-	-	20,659	41,576
Health, Life & Accident Ins.	22,349	1,369	-	-	-	23,718
Telephone	1,963	-	700	-	660	3,323
Postage	436	-	-	-	-	436
Professional Dues & Fees	6,873	14,581	751	446	756	23,407
Tax Bill Preparation	1,381	-	-	-	-	1,381
Legal Services	5,250	-	-	-	-	5,250
Advertising	337	-	-	-	50	387
Offices Supplies & Equipment	9,592	-	2,075	-	375	12,042
Software Support	-	-	-	-	-	-
Community Projects	-	-	-	-	-	-
Insurance and Bonds	1,114	-	-	-	-	1,114
Travel & Training	12,078	-	60	-	4,066	16,204
Meals	-	-	725	-	-	725
Building Maintenance	-	-	-	-	-	-
Miscellaneous	8,640	460	4,795	-	878	14,773
Worker's Compensation	-	-	-	-	-	-
Uniforms	-	-	4,014	7,650	469	12,133
Fuel	-	4,913	831	-	1,669	7,413
Equipment & Vehicle Maint.	4,625	25,182	14,555	-	62	44,424
Education	-	-	-	-	-	-
Supplies	5,033	21,069	14,223	1,000	5,402	46,727
Street Maintenance	-	-	-	-	-	-
Contract Labor	-	-	-	-	-	-
Total Expenses	100,498	171,900	42,729	9,096	117,549	441,772
Debt Service	16,813	14,491	36,697	25,170	3,123	96,294
Total Expenses and Transfers	\$ 117,311	\$ 186,391	\$ 79,426	\$ 34,266	\$ 120,672	\$ 538,066

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, 2022, 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 April 30, 2024.

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.

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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. [2022-1 and 2022-2]

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
April 30, 2024

CITY OF BARDWELL, KENTUCKY
SCHEDULE OF FINDING(S)
For the Year Ended June 30, 2022

FINDING(S) - FINANCIAL STATEMENT AUDIT

2022-1 - 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.

2022-2 - 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.