

CITY OF BEAVER DAM, KENTUCKY
FINANCIAL STATEMENTS WITH ACCOMPANYING
INFORMATION

For the Year Ended June 30, 2021
and
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**CITY OF BEAVER DAM, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Commissioners
City of Beaver Dam, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky (City), as of and for the year ended June 30, 2021, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the pension and OPEB schedules, and related notes on pages 36 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Management Discussion and Analysis that governmental 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information shown on pages 43 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information shown on pages 43 through 45 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 43 through 45 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2022 on our consideration of City of Beaver Dam, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 City of Beaver Dam, Kentucky's internal control over financial reporting and compliance.

Krause & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

March 5, 2022

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Component Unit</u> |
|---|------------------------------------|-------------------------------------|-------------------|---------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 1,751,620 | \$ 1,997,067 | \$ 3,748,687 | \$ 355,085 |
| Accounts receivable | 162,205 | 198,418 | 360,623 | - |
| Due from component unit | 500,413 | - | 500,413 | - |
| Due from primary government | - | - | - | 123,954 |
| Internal balances | (53) | 53 | - | - |
| Unbilled revenue | - | 86,849 | 86,849 | - |
| Prepayments | - | - | - | 87,602 |
| Total Current Assets | <u>2,414,185</u> | <u>2,282,387</u> | <u>4,696,572</u> | <u>566,641</u> |
| Noncurrent Assets | | | | |
| Restricted cash | 575,373 | - | 575,373 | - |
| Capital assets not being depreciated | 490,547 | 199,503 | 690,050 | - |
| Capital assets, net of depreciation | 5,299,468 | 2,576,438 | 7,875,906 | 49,776 |
| Total Noncurrent Assets | <u>6,365,388</u> | <u>2,775,941</u> | <u>9,141,329</u> | <u>49,776</u> |
| Total Assets | <u>8,779,573</u> | <u>5,058,328</u> | <u>13,837,901</u> | <u>616,417</u> |
| Deferred Outflows of Resources | | | | |
| Deferred amounts from pension | 294,369 | 127,738 | 422,107 | - |
| Deferred amounts from OPEB | 241,483 | 108,786 | 350,269 | - |
| Total Deferred Outflows of Resources | <u>535,852</u> | <u>236,524</u> | <u>772,376</u> | <u>-</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 15,056 | 46,522 | 61,578 | 75,513 |
| Accrued liabilities | 17,107 | 10,619 | 27,726 | - |
| Payroll taxes payable | 30,562 | - | 30,562 | - |
| Unearned revenue | - | - | - | 208,443 |
| Accrued interest payable | 25,806 | - | 25,806 | - |
| Due to component unit | 123,954 | - | 123,954 | - |
| Due to primary government | - | - | - | 500,413 |
| Customer deposits | - | 73,356 | 73,356 | - |
| Current portion of long-term debt | 74,243 | - | 74,243 | - |
| Total Current Liabilities | <u>286,728</u> | <u>130,497</u> | <u>417,225</u> | <u>784,369</u> |
| Noncurrent Liabilities | | | | |
| Net pension liability | 1,538,909 | 713,592 | 2,252,501 | - |
| Net OPEB liability | 484,341 | 224,590 | 708,931 | - |
| Noncurrent compensated absences | 80,214 | 16,846 | 97,060 | - |
| Notes and leases payable | 1,802,132 | - | 1,802,132 | - |
| Total Noncurrent Liabilities | <u>3,905,596</u> | <u>955,028</u> | <u>4,860,624</u> | <u>-</u> |
| Total Liabilities | <u>4,192,324</u> | <u>1,085,525</u> | <u>5,277,849</u> | <u>784,369</u> |
| Deferred Inflows of Resources | | | | |
| Deferred amounts from OPEB | 81,862 | 37,959 | 119,821 | - |
| Total Deferred Inflows of Resources | <u>81,862</u> | <u>37,959</u> | <u>119,821</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 3,913,640 | 2,775,941 | 6,689,581 | 49,776 |
| Restricted for: | | | | |
| Municipal roads | 15,292 | - | 15,292 | - |
| Cemetery maintenance | 180,457 | - | 180,457 | - |
| Economic assistance | 260,091 | - | 260,091 | - |
| Tourism/amphitheater | 119,180 | - | 119,180 | - |

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

**CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| Functions/Programs | Program Revenues | | | | Net (Expense)/Revenue Changes in Net Position | | | Component Unit Tourism Commission |
|---|---------------------|----------------------------|--|--|---|-----------------------------|---------------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Governmental Activities | | | | | | | | |
| Cemetery | \$ 74,556 | \$ 30,600 | \$ - | \$ - | \$ (43,956) | \$ - | \$ (43,956) | |
| Code enforcement | 732 | - | - | - | (732) | - | (732) | |
| Community pride project | - | 1 | - | - | 1 | - | 1 | |
| General government | 648,703 | - | 338,130 | - | (310,573) | - | (310,573) | |
| Parks and recreation | 213,704 | 1,050 | 5,423 | 5,000 | (202,231) | - | (202,231) | |
| Public safety: | | | | | | | | |
| Fire | 147,436 | 16,798 | 39,404 | - | (91,234) | - | (91,234) | |
| Police | 682,144 | - | 35,079 | - | (647,065) | - | (647,065) | |
| Streets | 211,397 | - | 586 | 161,020 | (49,791) | - | (49,791) | |
| Tourism | 593,200 | - | - | - | (593,200) | - | (593,200) | |
| Interest on long-term debt | 64,563 | - | - | - | (64,563) | - | (64,563) | |
| Total Governmental Activities | 2,636,435 | 48,449 | 418,622 | 166,020 | (2,003,344) | - | (2,003,344) | |
| Business-Type Activities | | | | | | | | |
| Water utilities | 781,436 | 705,443 | - | - | - | (75,993) | (75,993) | |
| Sewer services | 1,153,929 | 1,169,725 | 174,124 | - | - | 189,920 | 189,920 | |
| Sanitation services | 114,600 | 211,914 | - | - | - | 97,314 | 97,314 | |
| Total Business-Type Activities | 2,049,965 | 2,087,082 | 174,124 | - | - | 211,241 | 211,241 | |
| Total Primary Government | \$ 4,686,400 | \$ 2,135,531 | \$ 592,746 | \$ 166,020 | (2,003,344) | 211,241 | (1,792,103) | |
| Component Unit | | | | | | | | |
| Tourism Commission | \$ 1,005,540 | \$ - | \$ - | \$ - | | | | \$ (1,005,540) |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Ad valorem taxes | | | | | 49,864 | - | 49,864 | - |
| Alcohol tax | | | | | 180,320 | - | 180,320 | - |
| Franchise taxes | | | | | 178,485 | - | 178,485 | - |
| Insurance premium taxes | | | | | 309,463 | - | 309,463 | - |
| Property taxes | | | | | 465,578 | - | 465,578 | - |
| Restaurant and transient room taxes | | | | | 659,111 | - | 659,111 | - |
| Occupational licenses | | | | | 26,739 | - | 26,739 | - |
| Gain on sale of fixed assets | | | | | 3,145 | 3,300 | 6,445 | - |
| Interest income | | | | | 17,132 | 15,676 | 32,808 | 50 |
| Other revenue | | | | | 15,975 | - | 15,975 | 488,357 |
| Payment from component unit | | | | | 330,787 | - | 330,787 | - |
| Payment from primary government | | | | | - | - | - | 593,200 |
| Transfers | | | | | (1,586) | 1,586 | - | - |
| Total General Revenues and Transfers | | | | | 2,235,013 | 20,562 | 2,255,575 | 1,081,607 |
| Changes in Net Position | | | | | 231,669 | 231,803 | 463,472 | 76,067 |
| Net Position - July 1, 2020 | | | | | 4,809,570 | 3,939,565 | 8,749,135 | (244,019) |
| Net Position - June 30, 2021 | | | | | \$ 5,041,239 | \$ 4,171,368 | \$ 9,212,607 | \$ (167,952) |

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

**CITY OF BEAVER DAM, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | <u>General Fund</u> | <u>Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 1,751,620 | \$ - | \$ 1,751,620 |
| Receivables, net | 162,205 | - | 162,205 |
| Due from component unit | 500,413 | - | 500,413 |
| Interfund receivables | 1,332 | 392 | 1,724 |
| Restricted cash | 119,180 | 456,193 | 575,373 |
| Total Assets | <u>\$ 2,534,750</u> | <u>\$ 456,585</u> | <u>\$ 2,991,335</u> |
| Liabilities | | | |
| Accounts payable | \$ 9,878 | \$ 5,178 | \$ 15,056 |
| Accrued liabilities | 14,545 | 2,563 | 17,108 |
| Payroll taxes payable | 30,562 | - | 30,562 |
| Due to component unit | 123,954 | - | 123,954 |
| Interfund payables | 1,777 | - | 1,777 |
| Total Liabilities | <u>180,716</u> | <u>7,741</u> | <u>188,457</u> |
| Fund Balance | | | |
| Restricted for: | | | |
| Cemetery maintenance | - | 180,457 | 180,457 |
| Economic assistance | - | 260,091 | 260,091 |
| Municipal roads | - | 15,292 | 15,292 |
| Tourism/amphitheater | 119,180 | - | 119,180 |
| Assigned to community projects | - | 353 | 353 |
| Unassigned | 2,234,854 | (7,349) | 2,227,505 |
| Total Fund Balance | <u>2,354,034</u> | <u>448,844</u> | <u>2,802,878</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,534,750</u> | <u>\$ 456,585</u> | <u>\$ 2,991,335</u> |

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

| | |
|--|---------------------|
| Total Governmental Fund Balance | \$ 2,802,878 |
| 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 governmental funds. | 5,790,015 |
| Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when paid. | (25,805) |
| Deferred outflows of resources for County Employees Retirement System pension and OPEB are not reported in the governmental funds. | 535,852 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (3,979,839) |
| Deferred inflows of resources for County Employees Retirement System pension and OPEB are not reported in the governmental funds. | (81,862) |
| Net Position of Governmental Activities | <u>\$ 5,041,239</u> |

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>General Fund</u> | <u>Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|---|
| Revenues | | | |
| Charges for services | \$ 19,418 | \$ 30,600 | \$ 50,018 |
| Interest income | 13,076 | 4,056 | 17,132 |
| Intergovernmental revenues | 514,656 | 68,415 | 583,071 |
| Licenses and permits | 26,739 | - | 26,739 |
| Miscellaneous revenues | 13,319 | 2,661 | 15,980 |
| Payments from component unit | 330,787 | - | 330,787 |
| Taxes | 1,842,821 | - | 1,842,821 |
| Total Revenues | <u>2,760,816</u> | <u>105,732</u> | <u>2,866,548</u> |
| Expenditures | | | |
| Current: | | | |
| Cemetery | - | 58,949 | 58,949 |
| Code enforcement | 732 | - | 732 |
| General government | 487,546 | - | 487,546 |
| Public safety: | | | |
| Fire | 91,774 | - | 91,774 |
| Police | 502,710 | - | 502,710 |
| Parks and recreation | 80,202 | - | 80,202 |
| Streets | - | 129,555 | 129,555 |
| Tourism - payment to component unit | 593,200 | - | 593,200 |
| Debt Service: | | | |
| Principal | 73,626 | - | 73,626 |
| Interest | 65,269 | - | 65,269 |
| Capital Outlay | 178,548 | - | 178,548 |
| Total Expenditures | <u>2,073,607</u> | <u>188,504</u> | <u>2,262,111</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>687,209</u> | <u>(82,772)</u> | <u>604,437</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from sale of assets | - | 3,145 | 3,145 |
| Operating transfers in | 1,500 | 95,350 | 96,850 |
| Operating transfers out | (95,291) | (3,145) | (98,436) |
| Total Other Financing Sources (Uses) | <u>(93,791)</u> | <u>95,350</u> | <u>1,559</u> |
| Net Change in Fund Balance | 593,418 | 12,578 | 605,996 |
| Fund Balance - July 1, 2020, Restated | <u>1,760,616</u> | <u>436,266</u> | <u>2,196,882</u> |
| Fund Balance - June 30, 2021 | <u>\$ 2,354,034</u> | <u>\$ 448,844</u> | <u>\$ 2,802,878</u> |

**CITY OF BEAVER DAM, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Changes in Fund Balances - Governmental Funds \$ 605,996

Amounts reported for governmental activities in the Statement of Activities are different because:

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$317,782) exceeded capital outlay (\$178,548). (139,234)

In the Statement of Activities, the change in net pension and OPEB liabilities and deferred inflows and outflows is reported, whereas the change in this liability is not reported in the governmental funds. Thus the change in net position differs from the change in fund balance by the amount of the increase or decrease in these accounts. (303,326)

Interest expense in the Statement of Activities differs from the amount reported in governmental funds because accrued interest was calculated on notes payable. Thus, the change in net position differs from the change in fund balance by the change in accrued interest payable. 707

Accrued compensated absences are not reported in the government funds. Accordingly, the change in net position differs from the change in fund balance by the change in accrued compensated absences. (6,100)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments. 73,626

Changes in Net Position of Governmental Activities \$ 231,669

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

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

| | Enterprise Funds | | | |
|--|-------------------------|---------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 807,116 | \$ 885,211 | \$ 304,740 | \$ 1,997,067 |
| Trade accounts receivable - net of allowance for doubtful accounts | 67,292 | 113,291 | 17,835 | 198,418 |
| Interfund receivables | 485 | 319 | 900 | 1,704 |
| Unbilled revenue | 32,679 | 54,170 | - | 86,849 |
| Total Current Assets | 907,572 | 1,052,991 | 323,475 | 2,284,038 |
| Noncurrent Assets | | | | |
| Capital assets not being depreciated | 98,558 | 133,182 | 500 | 232,240 |
| Other capital assets, net of depreciation | 557,167 | 1,965,565 | 20,969 | 2,543,701 |
| Total Noncurrent Assets | 655,725 | 2,098,747 | 21,469 | 2,775,941 |
| Total Assets | 1,563,297 | 3,151,738 | 344,944 | 5,059,979 |
| Deferred Outflows of Resources | | | | |
| Deferred amounts from pension | 52,923 | 56,885 | 17,930 | 127,738 |
| Deferred amounts from OPEB | 44,293 | 49,255 | 15,238 | 108,786 |
| Total Deferred Outflows of Resources | 97,216 | 106,140 | 33,168 | 236,524 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 35,850 | 5,258 | 5,414 | 46,522 |
| Accrued liabilities | 6,501 | 2,209 | 1,909 | 10,619 |
| Interfund payables | 319 | 1,332 | - | 1,651 |
| Customer deposits | 73,356 | - | - | 73,356 |
| Total Current Liabilities | 116,026 | 8,799 | 7,323 | 132,148 |
| Noncurrent Liabilities | | | | |
| Net pension liability | 286,743 | 327,063 | 99,786 | 713,592 |
| Net OPEB liability | 90,247 | 102,937 | 31,406 | 224,590 |
| Noncurrent compensated absences | 12,402 | 3,760 | 684 | 16,846 |
| Total Noncurrent Liabilities | 389,392 | 433,760 | 131,876 | 955,028 |
| Total Liabilities | 505,418 | 442,559 | 139,199 | 1,087,176 |
| Deferred Inflows of Resources | | | | |
| Deferred amounts from OPEB | 15,253 | 17,398 | 5,308 | 37,959 |
| Total Deferred Inflows of Resources | 15,253 | 17,398 | 5,308 | 37,959 |
| Net Position | | | | |
| Net investment in capital assets | 655,725 | 2,098,747 | 21,469 | 2,775,941 |
| Unrestricted | 484,117 | 699,174 | 212,136 | 1,395,427 |
| Total Net Position | \$ 1,139,842 | \$ 2,797,921 | \$ 233,605 | \$ 4,171,368 |

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

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Enterprise Funds | | | |
|--|-------------------------|---------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Operating Revenues | | | | |
| Charges for services | \$ 660,955 | \$ 1,157,664 | \$ 211,403 | \$ 2,030,022 |
| Water line protection billing | 42,480 | - | - | 42,480 |
| Miscellaneous | 2,008 | 12,061 | 511 | 14,580 |
| Total Operating Revenues | <u>705,443</u> | <u>1,169,725</u> | <u>211,914</u> | <u>2,087,082</u> |
| Operating Expenses | | | | |
| Advertising | 283 | - | 218 | 501 |
| Communications and postage | 5,265 | 3,822 | 1,808 | 10,895 |
| Depreciation | 64,288 | 103,056 | 19,028 | 186,372 |
| Dues and subscriptions | 690 | 495 | - | 1,185 |
| Insurance and bonds | 11,442 | 15,208 | 12,441 | 39,091 |
| Miscellaneous | 4,335 | 13,871 | 2 | 18,208 |
| Motor fuel and lubricants | 9,629 | 5,798 | 7,108 | 22,535 |
| Office supplies | 5,079 | 1,972 | 204 | 7,255 |
| Other contractual services | 45,065 | 215 | 50,274 | 95,554 |
| Other supplies | 7,771 | 2,211 | 170 | 10,152 |
| Professional fees | 21,503 | 3,462 | 3,051 | 28,016 |
| Repairs and maintenance | 11,278 | 23,035 | 1,626 | 35,939 |
| Salaries and benefits | 269,902 | 107,999 | 17,362 | 395,263 |
| Sewage treatment | - | 828,244 | - | 828,244 |
| Technical supplies | 30,563 | 10,438 | - | 41,001 |
| Travel | 1,283 | 159 | - | 1,442 |
| Uniforms | 4,753 | 2,881 | 1,308 | 8,942 |
| Utilities | 17,439 | 29,238 | - | 46,677 |
| Water purchases | 270,868 | - | - | 270,868 |
| Total Operating Expenses | <u>781,436</u> | <u>1,152,104</u> | <u>114,600</u> | <u>2,048,140</u> |
| Operating Income (Loss) | <u>(75,993)</u> | <u>17,621</u> | <u>97,314</u> | <u>38,942</u> |
| Non-Operating Revenues (Expenses) | | | | |
| Gain on disposal of fixed assets | - | 3,300 | - | 3,300 |
| Grant revenue | - | 174,124 | - | 174,124 |
| Interest income | 5,757 | 8,699 | 1,220 | 15,676 |
| Interest expense | - | (1,330) | - | (1,330) |
| Lease executory cost | - | (495) | - | (495) |
| Total Non-Operating Revenues (Expenses) | <u>5,757</u> | <u>184,298</u> | <u>1,220</u> | <u>191,275</u> |
| Income (Loss) Before Transfers | <u>(70,236)</u> | <u>201,919</u> | <u>98,534</u> | <u>230,217</u> |
| Transfers | | | | |
| Transfers in | - | 2,834 | - | 2,834 |
| Transfers out | (1,248) | - | - | (1,248) |
| Changes in Net Position | <u>(71,484)</u> | <u>204,753</u> | <u>98,534</u> | <u>231,803</u> |
| Net Position - July 1, 2020 | <u>1,211,326</u> | <u>2,593,168</u> | <u>135,071</u> | <u>3,939,565</u> |
| Net Position - June 30, 2021 | <u>\$ 1,139,842</u> | <u>\$ 2,797,921</u> | <u>\$ 233,605</u> | <u>\$ 4,171,368</u> |

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

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Enterprise Funds | | | |
|---|-------------------------|-------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Cash Flows from Operating Activities: | | | | |
| Receipts from customers | \$ 692,473 | \$ 1,156,906 | \$ 212,008 | \$ 2,061,387 |
| Payments to employees for services | (448,593) | (939,798) | (78,240) | (1,466,631) |
| Payments to suppliers | (158,985) | (166,313) | (71,974) | (397,272) |
| Internal activity - payments to other funds | (1,974) | (1,515) | (1,258) | (4,747) |
| Net Cash Provided by Operating Activities | 82,921 | 49,280 | 60,536 | 192,737 |
| Cash Flows From Noncapital and Related Financing Activities: | | | | |
| Operating subsidies and transfers to/from other funds | (1,248) | 2,834 | - | 1,586 |
| Net Cash Provided (Used) by Noncapital and Related Financing Activities | (1,248) | 2,834 | - | 1,586 |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (73,068) | (71,087) | - | (144,155) |
| Proceeds from sale of capital assets | - | 6,500 | - | 6,500 |
| Principal payments | - | (140,167) | - | (140,167) |
| Interest payments | - | (1,411) | - | (1,411) |
| Grant proceeds | - | 174,124 | - | 174,124 |
| Lease executory cost | - | (495) | - | (495) |
| Net Cash Used by Capital and Related Financing Activities | (73,068) | (32,536) | - | (105,604) |
| Cash Flows from Investing Activities: | | | | |
| Interest income | 5,756 | 8,699 | 1,220 | 15,675 |
| Net Increase in Cash and Cash Equivalents | 14,361 | 28,277 | 61,756 | 104,394 |
| Cash and Cash Equivalents - July 1, 2020 | 792,755 | 856,934 | 242,984 | 1,892,673 |
| Cash and Cash Equivalents - June 30, 2021 | \$ 807,116 | \$ 885,211 | \$ 304,740 | \$ 1,997,067 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating income (loss) | \$ (75,993) | \$ 17,621 | \$ 97,314 | \$ 38,942 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 64,288 | 103,056 | 19,028 | 186,372 |
| Change in assets and liabilities: | | | | |
| Net receivables | (5,677) | (9,722) | 94 | (15,305) |
| Due from other funds | (485) | - | (900) | (1,385) |
| Unbilled revenue | (3,608) | (3,097) | - | (6,705) |
| Deferred outflows of resources-pension | 883 | 33,966 | 16,366 | 51,215 |
| Deferred outflows of resources-OPEB | (21,157) | (8,474) | 415 | (29,216) |
| Accounts payable | (1,348) | 1,251 | (30) | (127) |
| Accrued liabilities | 3,529 | (8,612) | 815 | (4,268) |
| Customer deposits | (3,685) | - | - | (3,685) |
| Deferred inflows of resources-pension | (4,007) | (7,917) | (3,162) | (15,086) |
| Deferred inflows of resources-OPEB | (1,217) | (15,134) | (7,684) | (24,035) |
| Due to other funds | (1,489) | (1,515) | (358) | (3,362) |
| Net Cash Provided by Operating Activities | \$ (49,966) | \$ 101,423 | \$ 121,898 | \$ 173,355 |

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

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Beaver Dam, Kentucky's primary government (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is financially accountable. The more significant of the government's accounting policies are described below.

(A) Financial Reporting Entity

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

- a. Blended component units, although legally separate entities from the City, are in substance, part of the City's operations and so data from this component unit is combined with data of the City. As of June 30, 2021, there were not any entities that met this criteria.
- b. Discretely presented component units are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the City. Only the discretely presented component unit disclosures considered essential to the fair presentation of the reporting entity's financial statements are presented in these notes. The following entity is reported as a discretely presented component unit.

The City of Beaver Dam Tourism Commission – The City of Beaver Dam Tourism Commission (Tourism Commission) is a separate component unit of the City, as it is governed by its own seven-member commission, members of which are appointed by the mayor. The Tourism Commission prepares its own financial statements, a summary of which is included in the City's Statements of Net Position and Activities. The Tourism Commission's separately issued financial statements may be obtained at Beaver Dam City Hall, 309 West Second Street, Beaver Dam, Kentucky 42320.

(B) Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the financial activities of the primary government (the City) and its component unit. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Proprietary Funds

Enterprise Fund - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Sanitation, Water, and Sewer Funds, which are reported as major funds in the current year.

(C) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 'b' below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Cash and Cash Equivalents

For the purpose of the Statement of Net Position and the proprietary fund Statement of Cash Flows, cash and cash equivalents include all demand savings accounts and certificates of deposit of the City.

(E) Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as interfund receivables and payables. Interfund receivables and payables between funds within governmental and business-type activities are eliminated in the Statement of Net Position.

(F) Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities consist of property taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and other intergovernmental revenues, since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables.

Accounts receivable for water, sewer, and sanitation services are shown net of an allowance for doubtful accounts. At June 30, 2021, total customer accounts receivable were \$105,928, \$206,458, and \$19,739 for water, sewer, and sanitation respectively. Allowance for doubtful accounts totaled \$38,636, \$93,167, and \$1,904 for water, sewer, and sanitation respectively, as of June 30, 2021.

(G) Due from/to Component Unit

Amounts owed between the primary government (City) and its component unit are classified as "due to/from primary government" and "due to/from component unit" on the Statement of Net Position. At year-end, the City reported \$123,954 due to the Tourism Commission for restaurant/transient room taxes collected by the City. The City also reported \$500,413 due from the Tourism Commission for debt service reimbursements. These amounts are expected to be settled within the next fiscal year.

(H) Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Restricted Assets

Restricted assets in the governmental funds consist of cash legally restricted for perpetual care of the cemetery and to meet the requirements of state and county funding (roads and economic assistance), as well as debt for the amphitheater.

(J) Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

(K) Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets over \$1,000 are capitalized at cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at acquisition value.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1970) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 25-50 years |
| Furniture and fixtures | 5-7 years |
| Vehicles | 5-7 years |
| Machinery and equipment | 3-20 years |
| Utility system | 25-50 years |
| Infrastructure | 25-50 years |

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of capital lease obligations and notes payable. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are expensed in the period incurred.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses in the current period. Issuance costs are reported as debt issuance expenditures in the period incurred. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

(M) Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds.
- c. Unrestricted net position - Consists of all other net position that does not meet the definition of the above two components and are available for general use by the City.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2021.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Local Government Economic Assistance (LGEA) resources as being restricted because their use is restricted by state statute for general governmental expenditures. Municipal Road Aid (MRA) resources are restricted by state statute and county laws and are legally segregated for funding of municipal road improvements. Cemetery resources are restricted by trust covenants and state statute for the general care and maintenance of the cemetery. Certain funds have been restricted for the repayment of debt related to the construction of an amphitheater.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2021.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds for general operating expenses of the Community Pride Fund.

Unassigned

This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balance first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(O) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent November 15. All unpaid taxes at that time are subject to a 10% penalty and 12% interest per year. The City bills and collects its own property tax.

(P) Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

(Q) Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, governmental expenditures are classified as current (further classified by function), debt service, and capital outlay. Proprietary funds are classified as operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

(R) Impairment of Long-lived Assets

The City reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2021.

(S) Nonexchange Transactions

The recognition of, respectively, assets, liabilities, and expenses/expenditures resulting from nonexchange transactions of the City of Beaver Dam are as follows.

- 1) Imposed nonexchange revenues – Property taxes are assessed January 1 of each year. The City does not have an enforceable legal claim to the taxes until one year from that date. However, tax bills are mailed October of the year they are assessed and collected before the end of that fiscal year; therefore, the asset/revenue is recognized when it is received.

The City imposes a 6.9 percent insurance premium tax on insurance premiums sold within the City limits for casualty, automobile, inland marine and fire and allied perils. The tax is due no later than thirty (30) days after the end of each calendar quarter.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2) Government-mandated nonexchange transactions – The City receives Municipal Road Aid and Local Government Economic Assistance funds from the state of Kentucky. These funds are required to be spent for specific purposes. Resources are recognized as revenues when received and expenses/expenditures when paid.
- 3) Voluntary nonexchange transactions – The City receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

(T) Budgetary Information

Annual budgets are adopted on an accrual basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The City is required to submit estimated receipts and proposed expenditures to the city commissioners by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the city commission by July 1.

The City may change the original budget by transferring appropriations at the activity level; however, the City may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

(U) Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) for each, and additions to/deductions from fiduciary net position for each 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(V) Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred amounts related to pensions and OPEB in the Statement of Net Position in this category. Deferred amounts related to pensions and OPEB include pension and OPEB contributions made during the current fiscal year but applicable to a future measurement period of the net pension and OPEB liabilities, respectively.

(W) Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports the deferred amount related to pensions and OPEB in the Statement of Net Position in this category.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

(X) Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local governmental unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

(A) Fund Accounting Requirements

The city complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the Road and LGEA Funds restricted by state law.

(B) Debt Restrictions and Covenants - General Obligation Debt

Kentucky Revised Statutes limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2021, the City incurred no such additional debt.

(C) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain Commonwealth of Kentucky or political subdivision debt obligations, or surety bonds. As required by Kentucky Revised Statutes 66.480(1)(d) and 41.240(4), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

(D) Fund Equity Restrictions - Deficit Prohibition

Kentucky Revised Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2021.

NOTE 3 - CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's cash was \$4,324,060 and the bank balance was \$4,347,624. Of the total bank balance, \$578,854 was covered by federal depository insurance, \$119,180 was covered by federally guaranteed securities, and the remaining balance of \$3,649,590 would require collateralization. As of June 30, 2021, \$3,879,240 was pledged with securities held by the pledging banks' trust departments but not in the name of the City.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3 - CASH AND CASH EQUIVALENTS (CONCLUDED)

The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the City's name.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240 (4) and does not have a deposit policy for custodial risk.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities and governmental funds consist of property, insurance premium, alcohol, restaurant and transient room taxes receivable.

NOTE 5 - PREPAYMENTS

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

NOTE 6 - ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds, governmental activities, enterprise funds, and business-type activities are composed of payables to vendors and taxing authorities.

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------|----------------|------------------|----------------|
| General | MRA | \$ 65,000 | Operations |
| General | Cemetery | 30,000 | Operations |
| General | Sewer | 291 | Operations |
| LGEA | General | 1,500 | Operations |
| MRA | Sewer | 1,645 | Operations |
| Sewer | Cemetery | 350 | Operations |
| Water | Sewer | 1,248 | Operations |
| | | <u>\$100,034</u> | |

At year-end, the City's interfund balances were as follows:

| <u>From Fund</u> | <u>To Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------|----------------|---------------|----------------|
| General | Cemetery | \$ 145 | Payroll |
| General | MRA | 247 | Payroll |
| General | Sanitation | 900 | Payroll |
| General | Water | 485 | Payroll |
| Sewer | General | 1,332 | Payroll |
| Water | Sewer | 319 | Payroll |

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3 - CASH AND CASH EQUIVALENTS (CONCLUDED)

The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the City's name.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240 (4) and does not have a deposit policy for custodial risk.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities and governmental funds consist of property, insurance premium, alcohol, restaurant and transient room taxes receivable.

NOTE 5 - PREPAYMENTS

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

NOTE 6 - ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds, governmental activities, enterprise funds, and business-type activities are composed of payables to vendors and taxing authorities.

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------|----------------|------------------|----------------|
| General | MRA | \$ 65,000 | Operations |
| General | Cemetery | 30,000 | Operations |
| General | Sewer | 291 | Operations |
| LGEA | General | 1,500 | Operations |
| MRA | Sewer | 1,645 | Operations |
| Sewer | Cemetery | 350 | Operations |
| Water | Sewer | 1,248 | Operations |
| | | <u>\$100,034</u> | |

At year-end, the City's interfund balances were as follows:

| <u>From Fund</u> | <u>To Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------|----------------|---------------|----------------|
| General | Cemetery | \$ 145 | Payroll |
| General | MRA | 247 | Payroll |
| General | Sanitation | 900 | Payroll |
| General | Water | 485 | Payroll |
| Sewer | General | 1,332 | Payroll |
| Water | Sewer | 319 | Payroll |

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 8 - CAPITAL ASSETS (CONCLUDED)

| | Primary Government | | | Ending Balance |
|---|------------------------------|--------------------|-------------------|---------------------------|
| | Beginning Balance | Increases | Decreases | |
| <u>Business-Type Activities</u> | | | | |
| Non-Depreciable Assets | | | | |
| Land | \$ 126,435 | \$ 4,500 | \$ - | \$ 130,935 |
| Construction in process | - | 68,568 | - | 68,568 |
| Total Non-Depreciable Assets | <u>126,435</u> | <u>73,068</u> | <u>-</u> | <u>199,503</u> |
| Depreciable Assets | | | | |
| Utility plants | | | | |
| Waterworks | 1,670,213 | - | - | 1,670,213 |
| Wastewater treatment plant | 1,407,183 | - | - | 1,407,183 |
| Sewage disposal system | 2,027,946 | - | - | 2,027,946 |
| Land improvements | 32,737 | - | - | 32,737 |
| Machinery and equipment | 700,678 | 26,164 | (40,505) | 686,337 |
| Vehicles | 396,938 | 44,923 | - | 441,861 |
| Building improvements | 80,460 | - | - | 80,460 |
| Office equipment | 40,606 | - | - | 40,606 |
| Total Capital Assets Being Depreciated | <u>6,356,761</u> | <u>71,087</u> | <u>(40,505)</u> | <u>6,387,343</u> |
| Less Accumulated Depreciation for | | | | |
| Utility plants | | | | |
| Waterworks | (1,153,990) | (43,131) | - | (1,197,121) |
| Wastewater treatment plant | (852,630) | (34,352) | - | (886,982) |
| Sewage disposal system | (660,285) | (49,900) | - | (710,185) |
| Land improvements | (15,043) | (1,766) | - | (16,809) |
| Machinery and equipment | (579,761) | (20,783) | 37,305 | (563,239) |
| Vehicles | (327,900) | (33,257) | - | (361,157) |
| Building improvements | (33,874) | (2,956) | - | (36,830) |
| Office equipment | (38,355) | (227) | - | (38,582) |
| Total Accumulated Depreciation | <u>(3,661,838)</u> | <u>(186,372)</u> | <u>37,305</u> | <u>(3,810,905)</u> |
| Capital Assets, Net | <u>\$ 2,821,358</u> | <u>\$ (42,217)</u> | <u>\$ (3,200)</u> | <u>\$ 2,775,941</u> |
| <u>Business-Type Activities</u> | | | | |
| Depreciation Expense: | | | | |
| Water | | | | \$ 64,288 |
| Sewer | | | | 103,056 |
| Sanitation | | | | <u>19,028</u> |
| Total Depreciation Expense - Business-Type Activities | | | | <u>\$ 186,372</u> |

| | Component Unit – Tourism Commission | | | Ending Balance |
|--------------------------------|--|------------------|------------------|---------------------------|
| | Beginning Balance | Increases | Decreases | |
| Depreciable Assets | | | | |
| Building improvements | \$ 11,465 | \$ - | \$ - | \$ 11,465 |
| Building | 15,118 | - | - | 15,118 |
| Equipment | 21,113 | 14,735 | - | 37,848 |
| Less: accumulated depreciation | (9,451) | (5,204) | - | (14,655) |
| Capital Assets, Net | <u>\$ 40,245</u> | <u>\$ 9,531</u> | <u>\$ -</u> | <u>\$ 49,776</u> |

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 - LONG-TERM DEBT

Changes in Long-term Debt

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|-------------------------|
| <u>Governmental Activities</u> | | | | | |
| Kentucky Bond Corporation – 2.00%–4.00% variable interest rate, maturity date – February 1, 2041 – bonded lease agreement for construction of an amphitheater | \$1,825,000 | \$ - | \$ 60,000 | \$1,765,000 | \$ 60,000 |
| Kentucky League of Cities – 3.75% interest rate, maturity date – March 1, 2028 – purchase of land for park | 125,001 | - | 13,626 | 111,375 | 14,243 |
| Total notes and leases payable | <u>1,950,001</u> | <u>-</u> | <u>73,626</u> | <u>1,876,375</u> | <u>74,243</u> |
| Compensated absences | 74,114 | 18,554 | 12,454 | 80,214 | - |
| | <u>\$2,024,115</u> | <u>\$ 18,554</u> | <u>\$ 86,080</u> | <u>\$1,956,589</u> | <u>\$ 74,243</u> |
| <u>Business-Type Activities</u> | | | | | |
| Kentucky Infrastructure Authority – 1% interest rate, maturity date | \$ 140,167 | \$ - | \$140,167 | \$ - | \$ - |
| Compensated absences | 22,444 | 7,840 | 13,438 | 16,846 | - |
| | <u>\$ 162,611</u> | <u>\$ 7,840</u> | <u>\$153,605</u> | <u>\$ 16,846</u> | <u>\$ -</u> |

Capital Lease Obligations

The City has entered into a capital lease agreement under which the related asset (amphitheater) will become the property of the City when all terms of the lease agreement are met. The interest rate varies from 2% to 4%. The schedule of future minimum lease payments on the capital lease as of June 30, 2021 is as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> |
|--|------------------------------------|
| 2022 | \$ 121,581 |
| 2023 | 124,781 |
| 2024 | 122,831 |
| 2025 | 125,881 |
| 2026 | 123,781 |
| Thereafter | 1,891,213 |
| Future Minimum Payments | 2,510,068 |
| Less Interest | (745,068) |
| Present Value of Future Minimum Payments | <u>\$1,765,000</u> |

The remaining gross amount of assets recorded under capital leases for the amphitheater was \$2,029,107 and the accumulated amortization at year-end was \$342,412. Depreciation expense included \$50,728 for amortization for the current fiscal year.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 - LONG-TERM DEBT (CONCLUDED)

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2021, are as follows:

Governmental Activities

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|--------------------|------------------|--------------------|
| 2022 | \$ 74,243 | \$ 63,680 | \$ 137,923 |
| 2023 | 79,897 | 61,589 | 141,486 |
| 2024 | 80,576 | 59,338 | 139,914 |
| 2025 | 86,302 | 57,064 | 143,366 |
| 2026 | 87,046 | 54,634 | 141,680 |
| 2027-2031 | 428,311 | 235,123 | 663,434 |
| 2032-2036 | 495,000 | 160,813 | 655,813 |
| 2037-2041 | 545,000 | 60,925 | 605,925 |
| | <u>\$1,876,375</u> | <u>\$753,166</u> | <u>\$2,629,541</u> |

NOTE 10 - RESTRICTED NET POSITION

Restricted net position consisted of the following as of June 30, 2021:

| <u>Net Position</u> | <u>Amount</u> |
|--------------------------|------------------|
| Governmental Activities: | |
| Municipal roads | \$ 15,292 |
| Cemetery maintenance | 180,457 |
| Economic assistance | 260,091 |
| Tourism/amphitheater | 119,180 |
| | <u>\$575,020</u> |

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The City extends credit to all citizens who live within the City limits and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. For the fiscal year ended June 30, 2021, City of Beaver Dam, Kentucky, was a member of the Kentucky League of Cities Insurance Service (KLCIS). 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, members are responsible for payment of the excess losses. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 13 - BUDGET

During the current fiscal year, the City's General Fund incurred line item expenditures in excess of budget.

NOTE 14 - RESTAURANT AND TRANSIENT ROOM TAX

Effective April 1, 2013, the City established The City of Beaver Dam Tourism Commission for the purpose of promoting and developing tourist activities and facilities. Pursuant to KRS 91A.350 through KRS 91A.390, the City imposed a 3% restaurant and 1% transient room tax on entities doing business within the city limits to fund the operations of the Commission. All monies collected from the taxes are to be turned over to the Tourism Commission, as required by state statute. The City receives an administrative fee of 10% of the funds collected for the costs of collecting and processing the transient room tax and the restaurant tax. At year-end, the City owed the Tourism Commission \$123,954 for taxes collected and accrued.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

The City in conjunction with Ohio County, City of Centertown, and City of Hartford, created the Ohio County Regional Wastewater District. The Ohio County Regional Wastewater District is a joint sewer agency created to own, manage, control and operate a comprehensive wastewater treatment facility within Ohio County, Kentucky. The District's board is comprised of two members of each participating municipality.

NOTE 16 - DEFERRED COMPENSATION

The commission voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.275 to provide administration of tax shelter supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

NOTE 17 - DEFICIT FUND BALANCE/NET POSITION

No City funds ended the year with a deficit fund balance/net position; however, the MRA and Water Funds had operations that resulted in current year reductions of net position. The Tourism Commission ended the year with a deficit fund balance/net position.

NOTE 18 - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time employees are covered by the County Employees Retirement System (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. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.kyret.ky.gov.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 18 - PENSION PLANS (CONTINUED)

For the year ended June 30, 2021, the City recognized total pension expense of \$408,178 for CERS. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 56,170 | \$ - |
| Changes of assumptions | 87,956 | - |
| Net difference between projected and actual earnings on pension plan investments | 56,366 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 73,822 | - |
| City contributions subsequent to the measurement date | 147,793 | - |
| | <u>\$422,107</u> | <u>\$ -</u> |

\$147,793 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|---------------------------------|------------------|
| 2022 | \$139,534 |
| 2023 | 83,584 |
| 2024 | 28,558 |
| 2025 | 22,638 |
| | <u>\$274,314</u> |

Actuarial assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions (updated from the actuarial assumptions used for June 30, 2019):

| | |
|-----------------------------|---|
| Inflation Rate: | 2.30% |
| Payroll Growth Rate: | 2.00% |
| Projected Salary Increases: | 3.30% to 10.30%, varies by service for CERS non-hazardous |
| Investment Rate of Return: | 6.25% |

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

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 18 - PENSION PLANS (CONCLUDED)

The long-term expected rates of return were determined by using a building-block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by KRS, are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | <u>1% Decrease 5.25%</u> | <u>Current Discount 6.25%</u> | <u>1% Increase 7.25%</u> |
|---|------------------------------|-----------------------------------|------------------------------|
| City’s proportionate share of the net pension liability | \$2,583,310 | \$2,252,501 | \$1,633,845 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$17,651 (included in payroll liabilities) for the outstanding amount of contributions to the pension plan required for the year then ended.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS

County Employees Retirement System Insurance

General Information about the County Employees Retirement System Insurance Fund

Plan Description – County Employees Retirement System (CERS) Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plan for members that cover all regular full-time members employed in non-hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members, and it may be extended to beneficiaries of plan members under certain circumstances. It is administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers OPEB and has the authority to establish and amend benefit provisions. The KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KRS website at www.kyret.ky.gov.

Benefits Provided – CERS provides health insurance benefits to plan employees and beneficiaries when applicable. For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The KRS Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

Contributions – Employees in Tiers 2 and 3 (see Note 18) contribute an additional 1% of their salaries for health insurance. This amount is credited to the Insurance Fund and is non-refundable to the member. Participating employers contributed 24.06% (19.30% for pension and 4.76% for health insurance) of members' non-hazardous compensation for the year ended June 30, 2021.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2021, the City reported a liability of \$708,931 for its proportionate share of the net OPEB liability for CERS. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date of June 30, 2019 to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2019 through June 30, 2020. At June 30, 2020, the City's proportion was 0.029359%, an increase of 0.000362%, over the prior year.

For the year ended June 30, 2021, the City recognized total OPEB expense of \$103,332 for CERS. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$118,447 | \$118,540 |
| Changes of assumptions | 123,312 | 750 |
| Net difference between projected and actual earnings on OPEB plan investments | 23,563 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 31,098 | 531 |
| City contributions subsequent to the measurement date | 53,849 | - |
| | \$350,269 | \$119,821 |

\$53,849 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date, which include the implicit subsidy reported of \$17,399, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30, | Amount |
|---------------------------------|------------------|
| 2022 | \$ 46,179 |
| 2023 | 53,152 |
| 2024 | 39,777 |
| 2025 | 37,640 |
| 2026 | (149) |
| Thereafter | - |
| Total | \$176,599 |

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date: | June 30, 2019 |
| Inflation Rate: | 2.30% |
| Payroll Growth Rate: | 2.00% |
| Projected Salary Increases: | 3.30% to 10.30%, varies by service for CERS non-hazardous |
| Investment Rate of Return: | 6.25% |
| Healthcare Trend Rates (under age 65): | Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years |
| Healthcare Trend Rates (age 65 and over): | Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years |

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS, are summarized in the table in Note 18 (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining twenty-four year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

Sensitivity of Proportionate Share of Net OPEB Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net OPEB liability calculated using the discount rate of 5.34% for non-hazardous, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease 4.34% | Current Discount 5.34% | 1% Increase 6.34% |
|--|------------------------------------|---|------------------------------------|
| City’s proportionate share of the net OPEB liability | \$910,768 | \$708,931 | \$543,155 |

Sensitivity of Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following table presents the City’s proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease | Current Rate | 1% Increase |
|--|--------------------|---------------------|--------------------|
| City’s proportionate share of the net OPEB liability | \$548,889 | \$708,931 | \$903,144 |

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERS financial report.

NOTE 20 - RELATED PARTY TRANSACTIONS

As explained in Note 1, The City of Beaver Dam Tourism Commission is a component unit of the City of Beaver Dam, Kentucky. The City paid \$593,200 to the Commission during the current year for the restaurant and transient room taxes that were collected. The City received \$330,787 from the Commission for park maintenance and development, debt service reimbursements, and various capital projects.

Per Note 15, the City is a member of the Ohio County Regional Wastewater District (District). During the year ended June 30, 2021, the City paid the District \$828,244 for sewer disposal.

NOTE 21 - CONTINGENCIES

In the normal course of operations, the City participates in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of such is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 22 - JOINT VENTURE

The City of Beaver Dam, Kentucky, has entered into a joint venture with the City of Hartford, Kentucky, to form a joint planning and zoning commission. The City of Beaver Dam contributes \$3,500 annually toward the operating expenses of the commission. Complete financial information for the Planning and Zoning Commission can be obtained from Nancy Hoover, Planning and Zoning Administrator at 309 West 2nd Street, P.O. Box 408, Beaver Dam, KY 42320. The City does not have an equity interest in this organization.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 23 - SUBSEQUENT EVENTS

City of Beaver Dam's management has evaluated and considered the need to recognize or disclose subsequent events through March 5, 2022, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2021, have not been evaluated by management.

Subsequent to year end, the City received \$462,371 in American Rescue Plan funding from the U.S. Department of the Treasury. The Coronavirus State and Local Fiscal Recovery Funds provide a substantial infusion of resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. It is not possible to reasonably estimate the duration and severity of the impact of the pandemic, as well as its effect on the financial position of the City going forward.

The City received \$26,732 in grant funds from the U.S. Department of the Treasury for Coronavirus Relief Funds for States subsequent to year end. The grant is intended to help reimburse the City for expenses during the COVID-19 pandemic.

The City applied for a Shuttered Venue Operators Grant on behalf of the City of Beaver Dam Tourism Commission. \$498,123 in grant proceeds were received subsequent to year end.

NOTE 24 - COVID-19

Early in 2020, the United States was struck with the COVID-19 virus. In an effort to slow the spread of the virus, Kentucky issued stay-at-home orders and imposed social distancing guidelines which limited any substantial gathering, including dine-in restaurants, sporting events and concerts. Consequently, this situation has been particularly difficult for the City's component unit, the Tourism Commission. As most of the Tourism Commission's revenues are derived from restaurant taxes and special events, its immediate financial forecast is uncertain; however, the City currently has the resources to maintain its viability. As state restrictions have been relaxed, the Tourism Commission implemented guidelines in order to maintain social distancing. The related financial impact and duration of this outbreak cannot be reasonably estimated at this time.

NOTE 25 - RESTATEMENT

The City has traditionally included liabilities for accrued interest payable and compensated absences at the governmental fund level. Generally accepted accounting principles require that such liabilities are only recorded at the government-wide level. Accordingly, an adjustment was made to the General Fund beginning fund balance to reflect the required classification.

The effect of the restatement is detailed as follows:

| | |
|--|--------------------|
| Beginning fund balance | \$1,659,990 |
| Adjustment to correct accrued interest payable | 26,512 |
| Adjustment to correct compensated absences | 74,114 |
| Beginning fund balance, as restated | <u>\$1,760,616</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BEAVER DAM, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>Budgeted Amounts</u> | | | Variance from Final Budget Favorable (Unfavorable) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Charges for services | \$ 52,500 | \$ 52,500 | \$ 19,418 | \$ (33,082) |
| Interest income | 5,000 | 5,000 | 13,076 | 8,076 |
| Intergovernmental revenues | 92,000 | 514,000 | 514,656 | 656 |
| Licenses and permits | 23,000 | 23,000 | 26,739 | 3,739 |
| Miscellaneous revenues | 20,000 | 20,000 | 13,319 | (6,681) |
| Payments from component unit | 312,000 | 312,000 | 330,787 | 18,787 |
| Taxes | 1,675,200 | 1,675,200 | 1,842,821 | 167,621 |
| Total Revenues | <u>2,179,700</u> | <u>2,601,700</u> | <u>2,760,816</u> | <u>159,116</u> |
| Expenditures | | | | |
| Current: | | | | |
| Code enforcement | 3,400 | 3,400 | 732 | 2,668 |
| General government | 430,150 | 430,150 | 487,546 | (57,396) |
| Parks and recreation | 161,700 | 161,700 | 80,202 | 81,498 |
| Public safety: | | | | |
| Fire | 121,450 | 121,450 | 91,774 | 29,676 |
| Police | 592,800 | 592,800 | 502,710 | 90,090 |
| Tourism - payment to component unit | 520,000 | 520,000 | 593,200 | (73,200) |
| Debt Service: | | | | |
| Principal | 149,000 | 149,000 | 73,626 | 75,374 |
| Interest | 4,200 | 4,200 | 65,269 | (61,069) |
| Capital Outlay | 52,000 | 102,000 | 178,548 | (76,548) |
| Total Expenditures | <u>2,034,700</u> | <u>2,084,700</u> | <u>2,073,607</u> | <u>11,093</u> |
| Excess of Revenues over Expenditures | <u>145,000</u> | <u>517,000</u> | <u>687,209</u> | <u>170,209</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers out | (193,500) | (193,500) | (95,291) | 98,209 |
| Total Other Financing Sources (Uses) | <u>(193,500)</u> | <u>(193,500)</u> | <u>(95,291)</u> | <u>98,209</u> |
| Net Changes in Fund Balance | (48,500) | 323,500 | 591,918 | 268,418 |
| Fund Balance - July 1, 2020, Restated | <u>1,760,616</u> | <u>1,760,616</u> | <u>1,760,616</u> | <u>-</u> |
| Fund Balance - June 30, 2021 | <u>\$ 1,712,116</u> | <u>\$ 2,084,116</u> | <u>\$ 2,352,534</u> | <u>\$ 268,418</u> |

See accompanying notes to required supplementary information.

**CITY OF BEAVER DAM, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| City's proportion of the net pension liability | 0.023916% | 0.024822% | 0.024700% | 0.026349% | 0.026803% | 0.028997% | 0.029368% |
| City's proportionate share of the net pension liability | \$ 776,000 | \$1,067,182 | \$1,216,145 | \$1,542,288 | \$1,632,384 | \$2,039,372 | \$ 2,252,501 |
| City's covered payroll | \$ 585,123 | \$ 579,100 | \$ 589,228 | \$ 641,538 | \$ 664,028 | \$ 731,422 | \$ 752,247 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 132.62% | 184.28% | 206.40% | 240.40% | 245.83% | 278.82% | 299.44% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.80% | 59.97% | 55.50% | 53.30% | 53.54% | 50.45% | 47.81% |

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City Pension Contributions.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF BEAVER DAM, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS**

Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 74,107 | \$ 70,175 | \$ 89,494 | \$ 90,473 | \$ 118,637 | \$ 145,184 | \$ 147,793 |
| Contributions in relation to the contractually required contribution | <u>(74,107)</u> | <u>(70,175)</u> | <u>(89,494)</u> | <u>(90,473)</u> | <u>(118,637)</u> | <u>(145,184)</u> | <u>(147,793)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's contributions as a percentage of contractually required contribution for pension | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| City's covered payroll | \$ 579,100 | \$ 589,228 | \$ 641,538 | \$ 664,028 | \$ 731,422 | \$ 752,247 | \$ 765,766 |
| Contributions as a percentage of covered payroll | 12.80% | 11.91% | 13.95% | 13.62% | 16.22% | 19.30% | 19.30% |

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net Pension Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS insurance fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF BEAVER DAM, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Last 10 Fiscal Years***

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|-------------|-------------|-------------|-------------|
| City's proportion of the net OPEB liability | 0.026349% | 0.026802% | 0.028989% | 0.029359% |
| City's proportionate share of the net OPEB liability | \$ 529,705 | \$ 475,864 | \$ 487,582 | \$ 708,931 |
| City's covered payroll | \$ 641,538 | \$ 664,028 | \$ 731,422 | \$ 752,247 |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 82.57% | 71.66% | 66.66% | 94.24% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 52.40% | 57.62% | 60.44% | 51.67% |

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City OPEB Contributions.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF BEAVER DAM, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OPEB CONTRIBUTIONS**

Last 10 Fiscal Years*

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 29,366 | \$ 38,473 | \$ 35,807 | \$ 36,450 |
| Contributions in relation to the contractually required contribution | <u>(29,366)</u> | <u>(38,473)</u> | <u>(35,807)</u> | <u>(36,450)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's contributions as a percentage of contractually required contributions for OPEB | 100.00% | 100.00% | 100.00% | 100.00% |
| City's covered payroll | \$ 664,028 | \$ 731,422 | \$ 752,247 | \$ 765,766 |
| Contributions as a percentage of covered payroll | 4.42% | 5.26% | 4.76% | 4.76% |

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net OPEB Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS pension fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - BUDGET

Basis of Presentation

The City prepares both its financial statements and budget using accounting principles generally accepted in the United States of America (GAAP). Accordingly, there is no difference in revenues, expenditures, and changes in fund balance between the financial statements and its budget presentation.

NOTE 2 - PENSION

Changes in Assumptions and Benefit Terms

2020: With the passage of House Bill 271, provisions were removed that reduced the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. There were no changes in assumptions.

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed rate for salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous.

2018: There were no changes in assumptions and benefit terms since the prior measurement date.

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

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Projected salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

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

2015: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as describe in Schedule D of the CERS actuary report. The changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Projected salary increase was reduced from 4.50% to 4.00%.
- The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3 - OPEB

Changes in Assumptions and Benefit Terms

2020: The healthcare initial trend rates for those under age 65 changed from 7.00% to 6.40%, and the healthcare initial trend rates for those age 65 and over changed from 5.00% to 2.90%.

2019: 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 rate for salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous.

2018: The healthcare initial trend rates for those under age 65 changed from 7.25% to 7.00%, and the healthcare initial trend rates for those age 65 and over changed from 5.10% to 5.00%.

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

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Projected salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

SUPPLEMENTARY INFORMATION

**CITY OF BEAVER DAM, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | Special Revenue Funds | | | | Total Nonmajor Funds |
|--|-----------------------|-------------------------|------------------|------------------|----------------------------|
| | Cemetery Fund | Community Pride Fund | LGEA Fund | MRA Fund | |
| Assets | | | | | |
| Interfund receivables | \$ 145 | \$ - | \$ - | \$ 247 | \$ 392 |
| Restricted cash | 180,457 | 353 | 260,091 | 15,292 | 456,193 |
| Total Assets | \$ 180,602 | \$ 353 | \$260,091 | \$ 15,539 | \$ 456,585 |
| Liabilities | | | | | |
| Accounts payable | \$ 880 | \$ - | \$ - | \$ 4,298 | \$ 5,178 |
| Accrued liabilities | 1,126 | - | - | 1,437 | 2,563 |
| Total Liabilities | 2,006 | - | - | 5,735 | 7,741 |
| Fund Balance | | | | | |
| Restricted for: | | | | | |
| Cemetery maintenance | 180,457 | - | - | - | 180,457 |
| Economic assistance | - | - | 260,091 | - | 260,091 |
| Municipal roads | - | - | - | 15,292 | 15,292 |
| Assigned to community projects | - | 353 | - | - | 353 |
| Unassigned | (1,861) | - | - | (5,488) | (7,349) |
| Total Fund Balances | 178,596 | 353 | 260,091 | 9,804 | 448,844 |
| Total Liabilities and Fund Balances | \$ 180,602 | \$ 353 | \$260,091 | \$ 15,539 | \$ 456,585 |

CITY OF BEAVER DAM, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Special Revenue Funds</u> | | | | Total Nonmajor Funds |
|--|------------------------------|---------------------------------|----------------------|---------------------|-------------------------------------|
| | Cemetery Fund | Community Pride Fund | LGEA Fund | MRA Fund | |
| Revenues | | | | | |
| Charges for services | \$ 30,600 | \$ - | \$ - | \$ - | \$ 30,600 |
| Interest income | 2,027 | - | 2,019 | 10 | 4,056 |
| Intergovernmental revenues | - | - | 5,595 | 62,820 | 68,415 |
| Miscellaneous revenue | 2,300 | 1 | - | 360 | 2,661 |
| Total Revenues | <u>34,927</u> | <u>1</u> | <u>7,614</u> | <u>63,190</u> | <u>105,732</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Cemetery | 58,949 | - | - | - | 58,949 |
| Streets | - | - | - | 129,555 | 129,555 |
| Total Expenditures | <u>58,949</u> | <u>-</u> | <u>-</u> | <u>129,555</u> | <u>188,504</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (24,022) | 1 | 7,614 | (66,365) | (82,772) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of capital assets | - | - | 1,500 | 1,645 | 3,145 |
| Operating transfers in | 30,350 | - | - | 65,000 | 95,350 |
| Operating transfers out | - | - | (1,500) | (1,645) | (3,145) |
| Total Other Financing Sources (Uses) | <u>30,350</u> | <u>-</u> | <u>-</u> | <u>65,000</u> | <u>95,350</u> |
| Net Change in Fund Balance | 6,328 | 1 | 7,614 | (1,365) | 12,578 |
| Fund Balance - July 1, 2020 | <u>172,268</u> | <u>352</u> | <u>252,477</u> | <u>11,169</u> | <u>436,266</u> |
| Fund Balance - June 30, 2021 | <u>\$ 178,596</u> | <u>\$ 353</u> | <u>\$ 260,091</u> | <u>\$ 9,804</u> | <u>\$ 448,844</u> |

**CITY OF BEAVER DAM, KENTUCKY
SCHEDULE OF CHARGES FOR SERVICES
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

| | Enterprise Funds | | | Total |
|------------------------------|-------------------------|---------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | |
| Charges for Services: | | | | |
| Water collections | \$ 619,415 | \$ - | \$ - | \$ 619,415 |
| Sewer collections | - | 1,097,979 | - | 1,097,979 |
| Sanitation collections | - | - | 202,848 | 202,848 |
| Public fire protection | 8,890 | - | - | 8,890 |
| Meter charges | 2,250 | - | - | 2,250 |
| Reconnect fees | 2,615 | - | - | 2,615 |
| Tapping charges | - | 500 | - | 500 |
| Lift station maintenance fee | - | 12,000 | - | 12,000 |
| Penalties | 27,785 | 47,185 | 8,555 | 83,525 |
| | <u>\$ 660,955</u> | <u>\$ 1,157,664</u> | <u>\$ 211,403</u> | <u>\$ 2,030,022</u> |

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Hardinsburg, Kentucky 40143

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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Commissioners
City of Beaver Dam, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

March 5, 2022