

CITY OF BEAVER DAM, KENTUCKY  
FINANCIAL STATEMENTS WITH ACCOMPANYING  
INFORMATION  
For the Year Ended June 30, 2022  
and  
REPORT OF INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANTS

**CITY OF BEAVER DAM, KENTUCKY  
TABLE OF CONTENTS**

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<b>Independent Auditor's Report</b>	1 - 4
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds with the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Notes to Financial Statements	13 - 36
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule - General Fund	37
Schedule of the City's Proportionate Share of the Net Pension Liability	38
Schedule of City Pension Contributions	39
Schedule of the City's Proportionate Share of the Net OPEB Liability	40
Schedule of City OPEB Contributions	41
Notes to Required Supplementary Information	42 - 43
<b>Supplementary Information:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	45
Schedule of Charges for Services - Proprietary Funds	46
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	47 - 48
<b>Schedule of Finding and Response</b>	49



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## INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Commissioners  
City of Beaver Dam, Kentucky  
Beaver Dam, Kentucky

### Report on the Financial Statements

#### Opinions

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

#### *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
Aggregate Remaining Fund Information	Unmodified

#### *Disclaimer Opinion on the Aggregate Discretely Presented Component Units*

In our opinion, except for the possible effects of the matter discussed in the Basis for Disclaimer and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the City of Beaver Dam, Kentucky, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Basis for Disclaimer and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Beaver Dam, Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Disclaimer and unmodified audit opinions.

### *Matter Giving Rise to Disclaimer Opinion on the Aggregate Discretely Presented Component Unit*

The City of Beaver Dam Tourism Commission paid various expenses, including payroll from event cash receipts with no accounting. Accordingly, revenues and expenditures were understated by an unknown amount. Due to this issue, we issued a disclaimer of opinion on the financial statements of the City of Beaver Dam Tourism Commission, a component unit of the City of Beaver Dam, Kentucky.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Beaver Dam, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Beaver Dam, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaver Dam, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023, on our consideration of the 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beaver Dam, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beaver Dam, Kentucky's internal control over financial reporting and compliance.

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

Hardinsburg, Kentucky

August 23, 2023

**CITY OF BEAVER DAM, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,633,195	\$ 2,001,902	\$ 3,635,097	\$ 1,061,553
Accounts receivable	177,801	237,115	414,916	-
Due from component unit	500,413	-	500,413	-
Due from primary government	-	-	-	143,641
Internal balances	1,140	(1,140)	-	-
Unbilled revenue	-	67,775	67,775	-
Prepayments	-	-	-	230,502
<b>Total Current Assets</b>	<u>2,312,549</u>	<u>2,305,652</u>	<u>4,618,201</u>	<u>1,435,696</u>
<b>Noncurrent Assets</b>				
Restricted cash	971,022	-	971,022	-
Capital assets not being depreciated	490,547	276,309	766,856	-
Capital assets, net of depreciation	5,746,269	2,774,529	8,520,798	72,440
<b>Total Noncurrent Assets</b>	<u>7,207,838</u>	<u>3,050,838</u>	<u>10,258,676</u>	<u>72,440</u>
<b>Total Assets</b>	<u>9,520,387</u>	<u>5,356,490</u>	<u>14,876,877</u>	<u>1,508,136</u>
<b>Deferred Outflows of Resources</b>				
Deferred amounts from pension	22,623	8,857	31,480	-
Deferred amounts from OPEB	182,135	69,470	251,605	-
<b>Total Deferred Outflows of Resources</b>	<u>204,758</u>	<u>78,327</u>	<u>283,085</u>	<u>-</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	18,433	58,284	76,717	17,983
Accrued liabilities	18,067	11,002	29,069	-
Payroll taxes payable	36,151	-	36,151	-
Unearned revenue	-	-	-	773,805
Accrued interest payable	20,015	-	20,015	-
Due to component unit	143,641	-	143,641	-
Due to primary government	-	-	-	500,413
Customer deposits	-	73,406	73,406	-
Current portion of long-term debt	79,897	-	79,897	-
<b>Total Current Liabilities</b>	<u>316,204</u>	<u>142,692</u>	<u>458,896</u>	<u>1,292,201</u>
<b>Noncurrent Liabilities</b>				
Net pension liability	1,383,324	528,136	1,911,460	-
Net OPEB liability	415,272	158,546	573,818	-
Noncurrent compensated absences	77,571	16,846	94,417	-
Notes and leases payable	1,722,237	-	1,722,237	-
<b>Total Noncurrent Liabilities</b>	<u>3,598,404</u>	<u>703,528</u>	<u>4,301,932</u>	<u>-</u>
<b>Total Liabilities</b>	<u>3,914,608</u>	<u>846,220</u>	<u>4,760,828</u>	<u>1,292,201</u>
<b>Deferred Inflows of Resources</b>				
Deferred amounts from pension	13,426	5,519	18,945	-
Deferred amounts from OPEB	124,588	47,567	172,155	-
<b>Total Deferred Inflows of Resources</b>	<u>138,014</u>	<u>53,086</u>	<u>191,100</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	4,434,682	2,775,941	7,210,623	72,440
Restricted for:				
Municipal roads	11,738	-	11,738	-
Cemetery maintenance	175,239	-	175,239	-
Economic assistance	266,660	-	266,660	-
Community	374	-	374	-
Tourism/amphitheater	120,468	-	120,468	-
Unrestricted (deficit)	663,362	1,759,570	2,422,932	143,495
<b>Total Net Position</b>	<u>\$ 5,672,523</u>	<u>\$ 4,535,511</u>	<u>\$ 10,208,034</u>	<u>\$ 215,935</u>

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, 2022**

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		
<b>Governmental Activities</b>								
Cemetery	\$ 74,776	\$ 19,850	\$ -	\$ -	\$ (54,926)	\$ -	\$ (54,926)	
Code enforcement	807	-	-	-	(807)	-	(807)	
Community pride project	-	20	-	-	20	-	20	
General government	514,424	-	988,606	5,000	479,182	-	479,182	
Parks and recreation	211,802	850	4,510	-	(206,442)	-	(206,442)	
Public safety:								
Fire	144,203	16,978	84,978	-	(42,247)	-	(42,247)	
Police	752,140	-	47,821	-	(704,319)	-	(704,319)	
Streets	209,464	-	-	76,966	(132,498)	-	(132,498)	
Tourism	1,168,886	-	-	-	(1,168,886)	-	(1,168,886)	
Interest on long-term debt	57,531	-	-	-	(57,531)	-	(57,531)	
<b>Total Governmental Activities</b>	<b>3,134,033</b>	<b>37,698</b>	<b>1,125,915</b>	<b>81,966</b>	<b>(1,888,454)</b>	<b>-</b>	<b>(1,888,454)</b>	
<b>Business-Type Activities</b>								
Water utilities	737,460	749,025	-	-	-	11,565	11,565	
Sewer services	1,075,183	1,253,649	151,524	-	-	329,990	329,990	
Sanitation services	217,904	219,370	-	-	-	1,466	1,466	
<b>Total Business-Type Activities</b>	<b>2,030,547</b>	<b>2,222,044</b>	<b>151,524</b>	<b>-</b>	<b>-</b>	<b>343,021</b>	<b>343,021</b>	
<b>Total Primary Government</b>	<b>\$ 5,164,580</b>	<b>\$ 2,259,742</b>	<b>\$ 1,277,439</b>	<b>\$ 81,966</b>	<b>(1,888,454)</b>	<b>343,021</b>	<b>(1,545,433)</b>	
<b>Component Unit</b>								
Tourism Commission	\$ 1,502,227	\$ -	\$ -	\$ -				\$ (1,502,227)
<b>General Revenues:</b>								
Taxes:								
Ad valorem taxes					53,903	-	53,903	-
Alcohol tax					187,501	-	187,501	-
Franchise taxes					191,966	-	191,966	-
Insurance premium taxes					341,885	-	341,885	-
Property taxes					501,926	-	501,926	-
Restaurant and transient room taxes					745,292	-	745,292	-
Occupational licenses					26,227	-	26,227	-
Gain on sale of fixed assets					250	-	250	-
Interest income					12,958	10,094	23,052	511
Other revenue					10,871	-	10,871	716,717
Payment from component unit					457,986	-	457,986	-
Payment from primary government					-	-	-	1,168,886
<b>Transfers</b>					(11,028)	11,028	-	-
<b>Total General Revenues and Transfers</b>					<b>2,519,737</b>	<b>21,122</b>	<b>2,540,859</b>	<b>1,886,114</b>
<b>Changes in Net Position</b>					<b>631,283</b>	<b>364,143</b>	<b>995,426</b>	<b>383,887</b>
<b>Net Position - July 1, 2021</b>					<b>5,041,240</b>	<b>4,171,368</b>	<b>9,212,608</b>	<b>(167,952)</b>
<b>Net Position - June 30, 2022</b>					<b>\$ 5,672,523</b>	<b>\$ 4,535,511</b>	<b>\$ 10,208,034</b>	<b>\$ 215,935</b>

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



**CITY OF BEAVER DAM, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,029,739	\$ -	\$ 2,029,739
Receivables, net	177,801	-	177,801
Due from component unit	500,413	-	500,413
Interfund receivables	2,616	1,009	3,625
Restricted cash	120,468	454,011	574,479
<b>Total Assets</b>	<u>\$ 2,831,037</u>	<u>\$ 455,020</u>	<u>\$ 3,286,057</u>
<b>Liabilities</b>			
Accounts payable	\$ 12,369	\$ 6,064	\$ 18,433
Accrued liabilities	16,898	1,169	18,067
Payroll taxes payable	36,151	-	36,151
Due to component unit	143,641	-	143,641
Interfund payables	2,414	71	2,485
<b>Total Liabilities</b>	<u>211,473</u>	<u>7,304</u>	<u>218,777</u>
<b>Fund Balance</b>			
Restricted for:			
Cemetery maintenance	-	175,239	175,239
Economic assistance	-	266,660	266,660
Municipal roads	-	11,738	11,738
Tourism/amphitheater	120,468	-	120,468
Assigned to community projects	-	374	374
Unassigned	2,499,096	(6,295)	2,492,801
<b>Total Fund Balance</b>	<u>2,619,564</u>	<u>447,716</u>	<u>3,067,280</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,831,037</u>	<u>\$ 455,020</u>	<u>\$ 3,286,057</u>

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

<b>Total Governmental Fund Balance</b>	\$ 3,067,280
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.	6,236,816
Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when paid.	(20,016)
Deferred outflows of resources for County Employees Retirement System pension and OPEB are not reported in the governmental funds.	204,758
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,678,301)
Deferred inflows of resources for County Employees Retirement System pension and OPEB are not reported in the governmental funds.	(138,014)
<b>Net Position of Governmental Activities</b>	<u>\$ 5,672,523</u>

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

**CITY OF BEAVER DAM, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Charges for services	\$ 20,178	\$ 19,870	\$ 40,048
Interest income	10,442	2,516	12,958
Intergovernmental revenues	1,128,565	76,966	1,205,531
Licenses and permits	26,227	-	26,227
Miscellaneous revenues	6,096	4,781	10,877
Payments from component unit	457,987	-	457,987
Taxes	2,022,475	-	2,022,475
<b>Total Revenues</b>	<u>3,671,970</u>	<u>104,133</u>	<u>3,776,103</u>
<b>Expenditures</b>			
Current:			
Cemetery	-	63,955	63,955
Code enforcement	807	-	807
General government	411,774	-	411,774
Public safety:			
Fire	95,403	-	95,403
Police	647,952	-	647,952
Parks and recreation	75,446	-	75,446
Streets	-	134,668	134,668
Tourism - payment to component unit	1,168,886	-	1,168,886
Debt Service:			
Principal	74,243	-	74,243
Interest	63,321	-	63,321
Capital Outlay	765,427	3,792	769,219
<b>Total Expenditures</b>	<u>3,303,259</u>	<u>202,415</u>	<u>3,505,674</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>368,711</u>	<u>(98,282)</u>	<u>270,429</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of assets	-	5,000	5,000
Operating transfers in	-	97,154	97,154
Operating transfers out	(103,182)	(5,000)	(108,182)
<b>Total Other Financing Sources (Uses)</b>	<u>(103,182)</u>	<u>97,154</u>	<u>(6,028)</u>
<b>Net Change in Fund Balance</b>	265,529	(1,128)	264,401
<b>Fund Balance - July 1, 2021</b>	<u>2,354,035</u>	<u>448,844</u>	<u>2,802,879</u>
<b>Fund Balance - June 30, 2022</b>	<u>\$ 2,619,564</u>	<u>\$ 447,716</u>	<u>\$ 3,067,280</u>

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

**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, 2022**

**Net Changes in Fund Balances - Governmental Funds** \$ 264,401

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 capital outlay (\$769,219) exceeded depreciation (\$317,661). 451,557

In the Statement of Activities, only the gain on the sale or disposal of capital assets is reported, whereas in the government funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset sold or disposed. (4,754)

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. (162,597)

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. 5,790

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. 2,643

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. 74,243

**Changes in Net Position of Governmental Activities** \$ 631,283

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

**CITY OF BEAVER DAM, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 700,626	\$ 987,190	\$ 314,086	\$ 2,001,902
Trade accounts receivable - net of allowance for doubtful accounts	79,991	139,142	17,982	237,115
Interfund receivables	486	319	900	1,705
Unbilled revenue	26,360	41,415	-	67,775
<b>Total Current Assets</b>	<b>807,463</b>	<b>1,168,066</b>	<b>332,968</b>	<b>2,308,497</b>
<b>Noncurrent Assets</b>				
Capital assets not being depreciated	175,363	100,446	500	276,309
Other capital assets, net of depreciation	730,540	2,042,047	1,942	2,774,529
<b>Total Noncurrent Assets</b>	<b>905,903</b>	<b>2,142,493</b>	<b>2,442</b>	<b>3,050,838</b>
<b>Total Assets</b>	<b>1,713,366</b>	<b>3,310,559</b>	<b>335,410</b>	<b>5,359,335</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts from pension	5,211	-	3,646	8,857
Deferred amounts from OPEB	31,182	27,532	10,756	69,470
<b>Total Deferred Outflows of Resources</b>	<b>36,393</b>	<b>27,532</b>	<b>14,402</b>	<b>78,327</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	47,456	5,336	5,492	58,284
Accrued liabilities	6,913	2,376	1,713	11,002
Interfund payables	1,220	1,605	20	2,845
Customer deposits	73,406	-	-	73,406
<b>Total Current Liabilities</b>	<b>128,995</b>	<b>9,317</b>	<b>7,225</b>	<b>145,537</b>
<b>Noncurrent Liabilities</b>				
Net pension liability	232,816	220,582	74,738	528,136
Net OPEB liability	69,891	66,219	22,436	158,546
Noncurrent compensated absences	12,402	3,760	684	16,846
<b>Total Noncurrent Liabilities</b>	<b>315,109</b>	<b>290,561</b>	<b>97,858</b>	<b>703,528</b>
<b>Total Liabilities</b>	<b>444,104</b>	<b>299,878</b>	<b>105,083</b>	<b>849,065</b>
<b>Deferred Inflows of Resources</b>				
Deferred amounts from pension	2,260	2,534	725	5,519
Deferred amounts from OPEB	20,968	19,867	6,732	47,567
<b>Total Deferred Inflows of Resources</b>	<b>23,228</b>	<b>22,401</b>	<b>7,457</b>	<b>53,086</b>
<b>Net Position</b>				
Net investment in capital assets	905,903	2,142,493	2,442	3,050,838
Unrestricted	376,524	873,319	234,830	1,484,673
<b>Total Net Position</b>	<b>\$ 1,282,427</b>	<b>\$ 3,015,812</b>	<b>\$ 237,272</b>	<b>\$ 4,535,511</b>

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, 2022**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for services	\$ 700,308	\$ 1,222,678	\$ 219,341	\$ 2,142,327
Water line protection billing	42,940	-	-	42,940
Miscellaneous	5,777	30,971	29	36,777
<b>Total Operating Revenues</b>	<u>749,025</u>	<u>1,253,649</u>	<u>219,370</u>	<u>2,222,044</u>
<b>Operating Expenses</b>				
Advertising	-	71	123	194
Communications and postage	6,009	3,799	2,433	12,241
Depreciation	73,641	123,056	19,028	215,725
Dues and subscriptions	1,275	-	-	1,275
Insurance and bonds	12,494	15,848	11,861	40,203
Miscellaneous	1,475	4,487	197	6,159
Motor fuel and lubricants	16,218	12,358	10,265	38,841
Office supplies	6,310	2,388	238	8,936
Other contractual services	34,500	853	50,936	86,289
Other supplies	6,969	9,724	247	16,940
Professional fees	22,495	4,665	3,012	30,172
Repairs and maintenance	10,378	32,460	40,568	83,406
Salaries and benefits	178,720	88,331	78,311	345,362
Sewage treatment	-	739,863	-	739,863
Technical supplies	22,626	9,412	-	32,038
Travel	-	-	-	-
Uniforms	4,085	3,302	685	8,072
Utilities	19,747	24,566	-	44,313
Water purchases	320,518	-	-	320,518
<b>Total Operating Expenses</b>	<u>737,460</u>	<u>1,075,183</u>	<u>217,904</u>	<u>2,030,547</u>
<b>Operating Income (Loss)</b>	<u>11,565</u>	<u>178,466</u>	<u>1,466</u>	<u>191,497</u>
<b>Non-Operating Revenues (Expenses)</b>				
Grant revenue	-	151,524	-	151,524
Interest income	3,652	5,533	909	10,094
Lease executory cost	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>3,652</u>	<u>157,057</u>	<u>909</u>	<u>161,618</u>
<b>Income (Loss) Before Transfers</b>	15,217	335,523	2,375	353,115
<b>Transfers</b>				
Transfers in	127,368	7,368	1,292	136,028
Transfers out	-	(125,000)	-	(125,000)
<b>Changes in Net Position</b>	142,585	217,891	3,667	364,143
<b>Net Position - July 1, 2021</b>	<u>1,139,842</u>	<u>2,797,921</u>	<u>233,605</u>	<u>4,171,368</u>
<b>Net Position - June 30, 2022</b>	<u>\$ 1,282,427</u>	<u>\$ 3,015,812</u>	<u>\$ 237,272</u>	<u>\$ 4,535,511</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, 2022**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 742,694	\$ 1,240,553	\$ 219,223	\$ 2,202,470
Payments to employees for services	(183,794)	(147,752)	(91,611)	(423,157)
Payments to suppliers	(473,492)	(863,717)	(120,486)	(1,457,695)
Internal activity - payments to other funds	901	273	20	1,194
<b>Net Cash Provided by Operating Activities</b>	<b>86,309</b>	<b>229,357</b>	<b>7,146</b>	<b>322,812</b>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Operating subsidies and transfers to/from other funds	127,368	(117,632)	1,292	11,028
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>127,368</b>	<b>(117,632)</b>	<b>1,292</b>	<b>11,028</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(323,819)	(166,803)	-	(490,622)
Principal payments	-	-	-	-
Grant proceeds	-	151,524	-	151,524
Lease executory cost	-	-	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(323,819)</b>	<b>(15,279)</b>	<b>-</b>	<b>(339,098)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest income	3,652	5,533	908	10,093
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(106,490)</b>	<b>101,979</b>	<b>9,346</b>	<b>4,835</b>
<b>Cash and Cash Equivalents - July 1, 2021</b>	<b>807,116</b>	<b>885,211</b>	<b>304,740</b>	<b>1,997,067</b>
<b>Cash and Cash Equivalents - June 30, 2022</b>	<b>\$ 700,626</b>	<b>\$ 987,190</b>	<b>\$ 314,086</b>	<b>\$ 2,001,902</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 11,565	\$ 178,466	\$ 1,466	\$ 191,497
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	73,641	123,056	19,028	215,725
Change in assets and liabilities:				
Net receivables	(12,699)	(25,851)	(147)	(38,697)
Unbilled revenue	6,318	12,755	-	19,073
Deferred outflows of resources-pension	47,712	56,885	14,284	118,881
Deferred outflows of resources-OPEB	13,111	21,723	4,482	39,316
Accounts payable	11,606	78	78	11,762
Accrued liabilities	412	168	(196)	384
Customer deposits	50	-	-	50
Net pension liability	(53,927)	(106,481)	(25,048)	(185,456)
Net OPEB liability	(20,356)	(36,718)	(8,970)	(66,044)
Deferred inflows of resources-pension	2,260	2,534	725	5,519
Deferred inflows of resources-OPEB	5,715	2,469	1,424	9,608
Due to other funds	901	273	20	1,194
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 86,309</b>	<b>\$ 229,357</b>	<b>\$ 7,146</b>	<b>\$ 322,812</b>

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, 2022**

**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, 2022, 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, 2022**

**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, 2022**

**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, 2022**

**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, 2022, total customer accounts receivable were \$119,743, \$233,890, and \$20,041 for water, sewer, and sanitation respectively. Allowance for doubtful accounts totaled \$39,752, \$94,748, and \$2,059 for water, sewer, and sanitation respectively, as of June 30, 2022.

**(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 \$143,641 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, 2022**

**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, 2022**

**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, 2022**

**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, 2022.

*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, 2022.

*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, 2022**

**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, 2022.

**(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, 2022**

**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, 2022**

**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, 2022, 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, 2022.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's cash was \$4,606,119 and the bank balance was \$4,671,550. Of the total bank balance, \$578,950 was covered by federal depository insurance, \$120,467 was covered by federally guaranteed securities, and the remaining balance of \$3,972,133 would require collateralization. As of June 30, 2022, \$4,246,892 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, 2022**

**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 KPPA 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	\$ 61,077	Operations
General	Cemetery	36,077	Operations
LGEA	Sewer	5,000	Transfer of equipment
Sewer	Water	125,000	Operations
General	Sewer	2,368	Operations
General	Sanitation	1,291	Operations
General	Water	2,368	Operations
		<u>\$233,181</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	\$ 762	Payroll
Sewer	General	1,605	Payroll
General	Sanitation	900	Payroll
Water	General	901	Payroll
General	Water	485	Payroll
General	MRA	247	Payroll
Sanitation	General	20	Payroll
MRA	General	71	Payroll
Water	Sewer	319	Advance for operations

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Primary Government</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
<b><u>Governmental Activities</u></b>				
Non-Depreciable Assets				
Land	\$ 490,547	\$ -	\$ -	\$ 490,547
Total Non-Depreciable Assets	490,547	-	-	490,547
Depreciable Assets				
Buildings	4,199,945	58,235	-	4,258,180
Land improvements	937,685	68,794	-	1,006,479
Furniture and fixtures	2,250	-	-	2,250
Vehicles	774,297	410,351	-	1,184,618
Machinery and equipment	874,991	47,440	(15,973)	906,458
Infrastructure	3,070,659	184,398	-	3,255,037
Office equipment	16,313	-	-	16,313
Total Capital Assets Being Depreciated	9,876,140	769,218	(15,973)	10,629,385
Less Accumulated Depreciation for				
Buildings	(849,316)	(109,655)	-	(958,971)
Land improvements	(328,208)	(43,124)	-	(371,332)
Furniture and fixtures	(2,250)	-	-	(2,250)
Vehicles	(637,188)	(37,968)	-	(675,156)
Machinery and equipment	(674,159)	(48,114)	11,223	(711,050)
Infrastructure	(2,080,391)	(76,976)	-	(2,157,361)
Office equipment	(5,166)	(1,830)	-	(6,996)
Total Accumulated Depreciation	(4,576,678)	(317,661)	11,223	(4,883,116)
Capital Assets, Net	\$ 5,790,015	\$451,551	\$ (4,750)	\$ 6,236,816
<b><u>Governmental Activities</u></b>				
Depreciation Expense:				
General government				\$ 44,628
Public safety				73,376
Streets				62,246
Cemetery				1,055
Parks and recreation				136,356
Total Depreciation Expense – Governmental Activities				\$ 317,661

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 8 - CAPITAL ASSETS (CONCLUDED)**

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
<b><u>Business-Type Activities</u></b>				
Non-Depreciable Assets				
Land	\$ 130,936	\$ -	\$ -	\$ 130,936
Construction in process	68,568	76,805	-	145,373
<b>Total Non-Depreciable Assets</b>	<b>199,504</b>	<b>76,805</b>	<b>-</b>	<b>276,309</b>
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	32,736	49,821	-	82,557
Machinery and equipment	686,337	358,396	(184,690)	860,043
Vehicles	441,861	-	-	441,861
Building improvements	80,460	5,600	(596)	85,494
Office equipment	40,606	-	-	40,606
<b>Total Capital Assets Being Depreciated</b>	<b>6,387,342</b>	<b>413,817</b>	<b>(185,256)</b>	<b>6,615,903</b>
Less Accumulated Depreciation for				
Utility plants				
Waterworks	(1,197,121)	(43,009)	-	(1,240,130)
Wastewater treatment plant	(886,982)	(34,352)	-	(921,334)
Sewage disposal system	(710,185)	(47,916)	-	(758,101)
Land improvements	(16,809)	(2,873)	-	(19,682)
Machinery and equipment	(563,239)	(50,596)	184,690	(429,145)
Vehicles	(361,157)	(33,454)	-	(394,611)
Building improvements	(36,830)	(3,298)	566	(39,562)
Office equipment	(38,582)	(227)	-	(38,809)
<b>Total Accumulated Depreciation</b>	<b>(3,810,905)</b>	<b>(215,725)</b>	<b>185,256</b>	<b>(3,841,374)</b>
<b>Capital Assets, Net</b>	<b>\$ 2,775,941</b>	<b>\$ 274,897</b>	<b>\$ -</b>	<b>\$ 3,050,838</b>

**Business-Type Activities**

Depreciation Expense:

Water	\$ 73,641
Sewer	123,056
Sanitation	19,028
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 215,725</b>

**Component Unit – Tourism Commission**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Depreciable Assets				
Building improvements	\$ 11,465	\$ -	\$ -	\$ 11,465
Building	15,118	-	-	15,118
Equipment	37,848	31,381	-	69,229
Less: accumulated depreciation	(14,655)	(8,717)	-	(23,372)
<b>Capital Assets, Net</b>	<b>\$ 49,776</b>	<b>\$ 22,664</b>	<b>\$ -</b>	<b>\$ 72,440</b>

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due One Year</u>
<b><u>Governmental Activities</u></b>					
Kentucky Bond Corporation – 2.00%–4.00% variable interest rate, maturity date – February 1, 2041 – bonded lease agreement for construction of an amphitheater	\$1,765,000	\$ -	\$ 60,000	\$1,705,000	\$ 65,000
Kentucky League of Cities – 3.75% interest rate, maturity date – March 1, 2028 – purchase of land for park	111,375	-	14,241	97,134	14,897
Total notes and leases payable	1,876,375	-	74,241	1,802,134	79,897
Compensated absences	80,214	-	2,643	77,571	-
Pension and OPEB liability	2,023,250	-	224,654	1,798,596	-
	<u>\$3,979,839</u>	<u>\$ -</u>	<u>\$301,538</u>	<u>\$3,678,301</u>	<u>\$ 79,897</u>
<b><u>Business-Type Activities</u></b>					
Compensated absences	22,444	-	5,598	16,846	-
Pension and OPEB liability	938,182	-	251,500	686,682	-
	<u>\$ 960,626</u>	<u>\$ -</u>	<u>\$257,098</u>	<u>\$ 703,528</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, 2022 is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2023	\$ 124,781
2024	122,831
2025	125,881
2026	123,781
2027	126,681
Thereafter	1,764,531
Future Minimum Payments	2,388,486
Less Interest	(683,486)
Present Value of Future Minimum Payments	<u>\$1,705,000</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 \$393,140. 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, 2022**

**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, 2022, are as follows:

**Governmental Activities**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	92,829	52,186	145,015
2028-2032	425,484	221,751	647,235
2033-2037	515,000	143,225	658,225
2038-2041	435,000	39,700	474,700
	<u>\$1,802,134</u>	<u>\$689,487</u>	<u>\$2,491,621</u>

**NOTE 10 - RESTRICTED NET POSITION**

Restricted net position consisted of the following as of June 30, 2022:

<u>Net Position</u>	<u>Amount</u>
Governmental Activities:	
Municipal roads	\$ 11,738
Cemetery maintenance	175,239
Economic assistance	266,660
Community	374
Tourism/amphitheater	517,011
	<u>\$971,022</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, 2022, 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.

**NOTE 13 - BUDGET**

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

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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 KPPA 91A.350 through KPPA 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 \$143,641 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 City 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 KPPA 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. Contributions are limited to annual amounts determined by the Internal Revenue Service.

**NOTE 17 - 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 \$670,763 to the Commission during the current year for the restaurant and transient room taxes that were collected. The City received \$457,987 from the Commission for park maintenance and development, debt service reimbursements, and various capital projects.

Per Note 18, the City is a member of the Ohio County Regional Wastewater District (District). During the year ended June 30, 2022, the City paid the District \$739,863.  
for sewer disposal.

**NOTE 18 - 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 Crea, 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, 2022**

**NOTE 19 - 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 20 - 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 21 - 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 Public Pension Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KPPA) Section 61.645, the Board of Trustees of Kentucky KPPA administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority 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 Public Pension Authority (KPPA)s, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Basis of Accounting – For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, pension expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported on 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.

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

**CERS Non-hazardous**

<u>Tier 1</u>	Participation date:	Before September 1, 2008
Defined	Unreduced retirement:	27 years service or 65 years old with 4 years service
Benefit	Reduced retirement:	At least 5 years service and 55 years old At least 25 years service and any age
<u>Tier 2</u>	Participation date:	September 1, 2008 – December 31, 2013
Defined	Unreduced retirement:	At least 5 years service and 65 years old
Benefit	Reduced retirement:	Age 57+ and sum of service years plus age = 87 At least 10 years service and 60 years old
<u>Tier 3</u>	Participation date:	After December 31, 2013
Cash	Unreduced retirement:	At least 5 years service and 65 years old
Balance	Reduced retirement:	Age 57+ and sum of service years plus age = 87 Not available

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 21 - PENSION PLANS (CONTINUED)**

Contributions – The City was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of an annual valuation last preceding July of a new biennium. The KPPA Board may amend contribution rates as of the first day of July of the second year of a biennium if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA Board.

Employees in all tiers contributed 5% of their salaries for non-hazardous and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 26.95% (21.17% for pension and 5.78% for health insurance) of members' non-hazardous compensation for the year ended June 30, 2022. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investment earnings.

The City has met 100% of the contribution funding requirement for the year ended June 30, 2022. Total current-year contributions recognized by the Plan were \$248,171 (\$180,114 related to pension and \$68,057 related to OPEB). The OPEB contributions amount does not include the implicit study reported in the amount of \$18,881.

Medical Insurance Plan – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the KPPA's Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

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

At June 30, 2022, the City reported a liability of \$1,911,460 for its proportionate share of the net pension liability for CERS. The total pension liability, net pension liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. The City's proportion of the net pension 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, 2020 through June 30, 2021. At June 30, 2021, the City's proportion was 0.02988%.

For the year ended June 30, 2022, the City recognized total pension expense of \$248,645 for CERS.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.



**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 21 - PENSION PLANS (CONTINUED)**

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 21,949	\$ -
Changes of assumptions	25,654	-
Net difference between projected and actual earnings on pension plan investments	(254,373)	18,945
Changes in proportion and differences between City contributions and proportionate share of contributions	58,136	-
City contributions subsequent to the measurement date	180,114	-
	<b>\$ 31,480</b>	<b>\$ 18,945</b>

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$180,114 will be recognized as a reduction of 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:

<b>Year Ending June 30,</b>	<b>Amount</b>
2022	\$ 12,043
2023	(43,662)
2024	(56,180)
2025	(79,780)
	<b>\$(167,579)</b>

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.

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.

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 21 - PENSION PLANS (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long-Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.30%</b>

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:

	<b>1% Decrease 5.25%</b>	<b>Current Discount 6.25%</b>	<b>1% Increase 7.25%</b>
City’s proportionate share of the net pension liability	\$2,451,538	\$1,911,460	\$1,464,558

Measurement Date – June 30, 2021 is the actuarial valuation date and measurement date upon which the total pension liability is based.

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, 2022, the City reported a payable of \$21,437 (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, 2022**

**NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS**

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 and eligible part-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 Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the KPPA administers OPEB and has the authority to establish and amend benefit provisions. The KPPA 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 Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Basis of Accounting – For purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflow of resources related to OPEB, OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided – CERS provides health insurance benefits to plan employees and beneficiaries when applicable. For members participating prior to July 1, 2003, KPPA 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. KPPA submits the premium payments to DEI. The KPPA 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 F) 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 26.95% (21.17% for pension and 5.78% for health insurance) of members' non-hazardous compensation, for the year ended June 30, 2022.

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 22 - 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, 2022, the City reported a liability of \$573,818 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, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, 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, 2020 through June 30, 2021. At June 30, 2021, the City's proportion was 0.029973%..

For the year ended June 30, 2022, the City recognized total OPEB expense of \$83,512 for CERS.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 90,233	\$171,323
Changes of assumptions	152,130	534
Net difference between projected and actual earnings on pension plan investments	(89,766)	-
Changes in proportion and differences between City contributions and proportionate share of contributions	30,951	298
City contributions subsequent to the measurement date	68,057	-
	<b>\$ 251,605</b>	<b>\$ 172,155</b>

\$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 \$18,881, 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:

<b>Year Ending June 30,</b>	<b>Amount</b>
2022	\$ 23,761
2023	10,102
2024	7,932
2025	(30,402)
2026	-
Thereafter	-
Total	<b>\$ 11,393</b>

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

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, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (age 65 and over):	Initial trend starting at 2.90% at January 1, 2023, and increasing to 6.30% in 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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 KPPA, are summarized in the table in NOTE 21 (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

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.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.20%. 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 1.92%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2021. 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 associate with the implicit subsidy.

**CITY OF BEAVER DAM, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 22 - 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:

	<b>1% Decrease 4.20%</b>	<b>Current Discount 5.20%</b>	<b>1% Increase 6.20%</b>
City’s proportionate share of the net OPEB liability	\$787,848	\$573,818	\$398,171

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:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
City’s proportionate share of the net OPEB liability	\$413,081	\$573,818	\$787,830

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 23 - SUBSEQUENT EVENTS**

City of Beaver Dam’s management has evaluated and considered the need to recognize or disclose subsequent events through August 23, 2023, 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, 2022, have not been evaluated by management.

Subsequent to year end, the City received \$477,152 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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BEAVER DAM, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>			<b>Variance from Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charges for services	\$ 53,000	\$ 53,000	\$ 20,178	\$ (32,822)
Interest income	11,000	11,000	10,442	(558)
Intergovernmental revenues	88,000	1,093,000	1,128,565	35,565
Licenses and permits	24,000	24,000	26,227	2,227
Miscellaneous revenues	47,000	20,000	6,096	(13,904)
Payments from component unit	343,000	343,000	457,987	114,987
Taxes	1,740,500	1,904,500	2,022,475	117,975
<b>Total Revenues</b>	<u>2,306,500</u>	<u>3,448,500</u>	<u>3,671,970</u>	<u>223,470</u>
<b>Expenditures</b>				
Current:				
Code enforcement	3,400	3,400	807	2,593
General government	513,000	532,400	411,774	120,626
Parks and recreation	178,950	178,950	75,446	103,504
Public safety:				
Fire	486,600	524,700	95,403	429,297
Police	661,100	695,100	647,952	47,148
Tourism - payment to component unit	549,000	1,124,000	1,168,886	(44,886)
Debt Service:				
Principal	196,000	196,000	74,243	121,757
Interest	3,000	3,000	63,321	(60,321)
Capital Outlay	32,000	67,000	765,427	(698,427)
<b>Total Expenditures</b>	<u>2,623,050</u>	<u>3,324,550</u>	<u>3,303,259</u>	<u>21,291</u>
<b>Excess of Revenues over Expenditures</b>	<u>(316,550)</u>	<u>123,950</u>	<u>368,711</u>	<u>244,761</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(211,300)	(211,300)	(103,182)	108,118
<b>Total Other Financing Sources (Uses)</b>	<u>(211,300)</u>	<u>(211,300)</u>	<u>(103,182)</u>	<u>108,118</u>
<b>Net Changes in Fund Balance</b>	(527,850)	(87,350)	265,529	352,879
<b>Fund Balance - July 1, 2021</b>	<u>1,712,116</u>	<u>2,084,116</u>	<u>2,354,035</u>	<u>269,919</u>
<b>Fund Balance - June 30, 2022</b>	<u>\$ 1,184,266</u>	<u>\$ 1,996,766</u>	<u>\$ 2,619,564</u>	<u>\$ 622,798</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>	<u>2022</u>
City's proportion of the net pension liability	0.023916%	0.024822%	0.024700%	0.026349%	0.026803%	0.028997%	0.029368%	0.029980%
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	\$ 1,911,460
City's covered payroll	\$ 585,123	\$ 579,100	\$ 589,228	\$ 641,538	\$ 664,028	\$ 731,422	\$ 752,247	\$ 765,766
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%	249.61%
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%	57.33%

**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>	<u>2022</u>
Contractually required contribution	\$ 74,107	\$ 70,175	\$ 89,494	\$ 90,473	\$ 118,637	\$ 145,184	\$ 147,793	\$ 180,114
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>	<u>(180,114)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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%	100.00%
City's covered payroll	\$ 579,100	\$ 589,228	\$ 641,538	\$ 664,028	\$ 731,422	\$ 752,247	\$ 765,766	\$ 850,798
Contributions as a percentage of covered payroll	12.80%	11.91%	13.95%	13.62%	16.22%	19.30%	19.30%	21.17%

**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>	<u>2022</u>
City's proportion of the net OPEB liability	0.024700%	0.026802%	0.028989%	0.029359%	0.029973%
City's proportionate share of the net OPEB liability	\$ 529,705	\$ 475,864	\$ 487,582	\$ 708,931	\$ 573,818
City's covered payroll	\$ 589,228	\$ 641,538	\$ 664,028	\$ 731,422	\$ 765,766
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.90%	74.18%	73.43%	96.93%	74.93%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%

**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>	<u>2022</u>
Contractually required contribution	\$ 29,366	\$ 38,473	\$ 35,807	\$ 36,450	\$ 49,176
Contributions in relation to the contractually required contribution	<u>(29,366)</u>	<u>(38,473)</u>	<u>(35,807)</u>	<u>(36,450)</u>	<u>(49,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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%	100.00%
City's covered payroll	\$ 641,538	\$ 664,028	\$ 731,422	\$ 752,247	\$ 850,798
Contributions as a percentage of covered payroll	4.58%	5.79%	4.90%	4.85%	5.78%

**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, 2022**

**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, 2022**

**NOTE 3 - OPEB**

***Changes in Assumptions and Benefit Terms***

**2021:** The healthcare initial trend rates for those under age 65 changed from 6.40% to 6.30%, and the healthcare initial trend rates for those age 65 and over changed from 5.00% to 2.90%.

**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 2.90% to 6.30%.

**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, 2022**

	Special Revenue Funds				Total Nonmajor Funds
	Cemetery Fund	Community Pride Fund	LGEA Fund	MRA Fund	
<b>Assets</b>					
Interfund receivables	\$ 762	\$ -	\$ -	\$ 247	\$ 1,009
Restricted cash	175,239	374	266,660	11,738	454,011
<b>Total Assets</b>	<b>\$ 176,001</b>	<b>\$ 374</b>	<b>\$266,660</b>	<b>\$ 11,985</b>	<b>\$ 455,020</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,064	\$ 6,064
Accrued liabilities	188	-	-	981	1,169
Interfund payable	-	-	-	71	71
<b>Total Liabilities</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>7,116</b>	<b>7,304</b>
<b>Fund Balance</b>					
Restricted for:					
Cemetery maintenance	175,239	-	-	-	175,239
Economic assistance	-	-	266,660	-	266,660
Municipal roads	-	-	-	11,738	11,738
Assigned to community projects	-	374	-	-	374
Unassigned	574	-	-	(6,869)	(6,295)
<b>Total Fund Balances</b>	<b>175,813</b>	<b>374</b>	<b>266,660</b>	<b>4,869</b>	<b>447,716</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 176,001</b>	<b>\$ 374</b>	<b>\$266,660</b>	<b>\$ 11,985</b>	<b>\$ 455,020</b>



**CITY OF BEAVER DAM, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds				Total Nonmajor Funds
	Cemetery Fund	Community Pride Fund	LGEA Fund	MRA Fund	
<b>Revenues</b>					
Charges for services	\$ 19,850	\$ 20	\$ -	\$ -	\$ 19,870
Interest income	1,117	-	1,386	13	2,516
Intergovernmental revenues	-	-	5,182	71,784	76,966
Miscellaneous revenue	4,129	1	-	651	4,781
<b>Total Revenues</b>	25,096	21	6,568	72,448	104,133
<b>Expenditures</b>					
Current:					
Cemetery	63,955	-	-	-	63,955
Streets	-	-	-	134,668	134,668
Capital	-	-	-	3,792	3,792
<b>Total Expenditures</b>	63,955	-	-	138,460	202,415
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(38,859)	21	6,568	(66,012)	(98,282)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	-	5,000	-	5,000
Operating transfers in	36,077	-	-	61,077	97,154
Operating transfers out	-	-	(5,000)	-	(5,000)
<b>Total Other Financing Sources (Uses)</b>	36,077	-	-	61,077	97,154
<b>Net Change in Fund Balance</b>	(2,782)	21	6,568	(4,935)	(1,128)
<b>Fund Balance - July 1, 2021</b>	178,595	353	260,092	9,804	448,844
<b>Fund Balance - June 30, 2022</b>	\$ 175,813	\$ 374	\$ 266,660	\$ 4,869	\$ 447,716

**CITY OF BEAVER DAM, KENTUCKY  
SCHEDULE OF CHARGES FOR SERVICES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
<b>Charges for Services:</b>				
Water collections	\$ 626,929	\$ -	\$ -	\$ 626,929
Sewer collections	-	1,117,941	-	1,117,941
Sanitation collections	-	-	203,012	203,012
Public fire protection	8,890	-	-	8,890
Meter charges	5,550	-	-	5,550
Reconnect fees	6,090	-	-	6,090
Tapping charges	-	750	-	750
Lift station maintenance fee	-	12,000	-	12,000
Penalties	52,849	91,987	16,329	161,165
	<u>\$ 700,308</u>	<u>\$ 1,222,678</u>	<u>\$ 219,341</u>	<u>\$ 2,142,327</u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*



# DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 23, 2023.

#### **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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response as item 22-1 that we consider to be a material weakness.

**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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Finding and Response as item 22-1.

**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

August 23, 2023

**CITY OF BEAVER DAM, KENTUCKY  
SCHEDULE OF FINDING AND RESPONSE  
FOR THE YEAR ENDED JUNE 30, 2022**

**Finding: 22-1**

<i>Condition:</i>	The Tourism Commission paid for various services using cash deducted from gross receipts. No records were maintained for the amounts collected and disbursed, and were therefore omitted from the Commission's accounting records. In addition, tips received by servers are unreported.
<i>Criteria:</i>	Generally accepted accounting principles require that revenue and expenditures/expenses be reported in full with no offset. Compensation and tips for services could be subject to payroll reporting and withholding requirements.
<i>Cause:</i>	Event workers were available only if compensated immediately.
<i>Effect:</i>	Revenues and expenditures of the Commission were understated by indeterminate amounts.
<i>Recommendation:</i>	All gross receipts should be deposited in full and accounted for accordingly. If cash is to be used for supplies, a petty cash fund should be established and reimbursed based on receipt documentation. No payments for services should be paid in cash. If the worker qualifies as an independent contractor, form W-9 should be completed with the anticipation of form 1099 being issued after year end. For workers meeting the definition of an employee, all payments are required to be disbursed through the payroll system and subject to all taxes, retirement contributions, and related reporting.
<i>Management Response:</i>	<i>No City employee was paid in cash. City employees assisting with the concert concessions logged their time on their time cards and were paid through City payroll. Therefore, they received credit for their earnings and payments for taxes by both the City and employees were paid. Servers and concession workers paid in cash are considered independent contractors. However, schedules were such that they would not have received over \$600 and therefore would not have been required to receive a 1099. Any independent contractors working the events that made over \$600 did receive a 1099.</i>