

CITY OF CAMPTON
Campton, Kentucky



FINANCIAL STATEMENTS
June 30, 2021

CONTENTS

Independent Auditors' Report.....	1-2
Government – Wide Financial Statements	
Statement of Net Position	3
Statement of Activities.....	4
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	6
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Notes to Financial Statements.....	10-28
Required Supplementary Information	
Budget Information.....	29-31
Proportionate Share of the Net Pension Liability – Nonhazardous	32
Pension Contributions – Nonhazardous	33
Proportionate Share of the Net OPEB Liability – Nonhazardous	34
OPEB Contributions – Nonhazardous	35
Notes to Required Supplementary Information.....	36-37
Independent Auditors' 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>	38-39
Schedule of Findings and Responses	40



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission
City of Campton, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension and OPEB schedules on pages 29-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2022, on our consideration of the City of Campton, 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 Campton, 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 the City of Campton, Kentucky's internal control over financial reporting and compliance.

RFH, PLLC
Lexington, Kentucky
June 1, 2022

CITY OF CAMPTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 453,410	\$ 278,106	\$ 731,516
Receivables, net	52,033	148,961	200,994
Prepaid insurance	-	5,414	5,414
Internal balances (net)	<u>62,655</u>	<u>(62,655)</u>	<u>-</u>
Total current assets	<u>568,098</u>	<u>369,826</u>	<u>937,924</u>
Noncurrent assets			
Restricted cash and cash equivalents	-	575,266	575,266
Construction in progress	124,791	720,483	845,274
Capital assets			
Land	162,062	347,101	509,163
Depreciable capital assets, net	<u>244,121</u>	<u>17,827,966</u>	<u>18,072,087</u>
Total noncurrent assets	<u>530,974</u>	<u>19,470,816</u>	<u>20,001,790</u>
Total assets	<u>1,099,072</u>	<u>19,840,642</u>	<u>20,939,714</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	-	286,669	286,669
Deferred outflows - OPEB	<u>-</u>	<u>226,421</u>	<u>226,421</u>
Total deferred outflows of resources	<u>-</u>	<u>513,090</u>	<u>513,090</u>
Total assets and deferred outflows of resources	<u>\$ 1,099,072</u>	<u>\$ 20,353,732</u>	<u>\$ 21,452,804</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ -	\$ 11,604	\$ 11,604
Payroll liabilities	-	36,850	36,850
Taxes payable	-	3,612	3,612
Customer deposits	-	223,761	223,761
Accrued interest	-	16,884	16,884
Current portion of loans payable	-	55,775	55,775
Current portion of bonds payable	<u>-</u>	<u>73,500</u>	<u>73,500</u>
Total current liabilities	<u>-</u>	<u>421,986</u>	<u>421,986</u>
Noncurrent liabilities			
Loans payable, less current portion	-	716,467	716,467
Bonds payable, less current portion	-	1,921,100	1,921,100
Compensated absences, less current portion	-	47,381	47,381
Net pension liability	-	1,369,004	1,369,004
Net OPEB liability	<u>-</u>	<u>430,878</u>	<u>430,878</u>
Total noncurrent liabilities	<u>-</u>	<u>4,484,830</u>	<u>4,484,830</u>
Total liabilities	<u>-</u>	<u>4,906,816</u>	<u>4,906,816</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	-	13,798	13,798
Deferred inflows - OPEB	<u>-</u>	<u>96,505</u>	<u>96,505</u>
Total deferred inflows of resources	<u>-</u>	<u>110,303</u>	<u>110,303</u>
NET POSITION			
Net investment in capital assets	530,974	16,128,708	16,659,682
Restricted			
Municipal road aid	169,632	-	169,632
Debt service	-	575,266	575,266
Unrestricted	<u>405,288</u>	<u>(1,367,361)</u>	<u>(962,073)</u>
Total net position	<u>1,105,894</u>	<u>15,336,613</u>	<u>16,442,507</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,105,894</u>	<u>\$ 20,353,732</u>	<u>\$ 21,459,626</u>

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

CITY OF CAMPTON, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 24,572	\$ -	\$ -	\$ 66,352	\$ 41,780	\$ -	\$ 41,780
Streets	6,486	-	9,422	-	2,936	-	2,936
Fire protection	13,124	-	-	-	(13,124)	-	(13,124)
Interest on long-term debt	104	-	-	-	(104)	-	(104)
Total governmental activities	44,286	-	9,422	66,352	31,488	-	31,488
Business-type activities							
Water and sewer	2,395,571	1,643,965	-	427,481	-	(324,125)	(324,125)
Total business-type activities	2,395,571	1,643,965	-	427,481	-	(324,125)	(324,125)
Total primary government	\$ 2,439,857	\$ 1,643,965	\$ 9,422	\$ 493,833	31,488	(324,125)	(292,637)
General revenues							
Taxes							
Property taxes, levied for general purposes					28,981	-	28,981
License fees					110,308	-	110,308
Interest income					3,432	3,143	6,575
Miscellaneous					3,230	-	3,230
Total general revenues					145,951	3,143	149,094
Change in Net Position					177,439	(320,982)	(143,543)
Net position - beginning, restated					928,455	15,657,595	16,586,050
NET POSITION - ENDING					\$ 1,105,894	\$ 15,336,613	\$ 16,442,507

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

CITY OF CAMPTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Municipal Road Aid	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 288,245	\$ 165,165	\$ 453,410
Receivables, net	49,953	2,080	52,033
Due from other funds	60,268	2,387	62,655
Total assets	\$ 398,466	\$ 169,632	\$ 568,098
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances			
Restricted	-	169,632	169,632
Unassigned	405,288	-	405,288
Total fund balances	405,288	169,632	574,920
Total liabilities and fund balances	\$ 405,288	\$ 169,632	\$ 574,920
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Fund balances reported above			\$ 574,920
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			530,974
Net position of governmental activities			\$ 1,105,894

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

CITY OF CAMPTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2021

	General	Municipal Road Aid	Total Governmental Funds
REVENUES			
Taxes	\$ 25,520	\$ 3,461	\$ 28,981
Licenses and permits	110,308	-	110,308
Intergovernmental	66,352	9,422	75,774
Other revenues	3,230	-	3,230
Total revenues	205,410	12,883	218,293
EXPENDITURES			
Current			
General government	3,046	-	3,046
Streets	-	596	596
Fire	13,124	-	13,124
Capital outlay	99,465	-	99,465
Debt service	6,822	-	6,822
Total expenditures	122,457	596	123,053
Excess (deficiency) of revenues over expenditures	82,953	12,287	95,240
OTHER FINANCING SOURCES (USES)			
Interest income	2,196	1,236	3,432
Total other financing sources (uses)	2,196	1,236	3,432
Net change in fund balances	85,149	13,523	98,672
Fund balances - beginning	320,139	156,109	476,248
Fund balances - end of year	\$ 405,288	\$ 169,632	\$ 574,920
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 98,672
Add: capital outlay expenditures capitalized			99,465
Add: debt service			6,822
Less: Interest on long-term debt			(103)
Less: depreciation on governmental activities capital assets			(27,417)
Change in net position - governmental activities			\$ 177,439

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

CITY OF CAMPTON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-type Activities
	Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 278,106
Customer receivables, net	148,961
Prepaid insurance	5,414
Total current assets	432,481
Noncurrent assets	
Restricted cash and cash equivalents	575,266
Construction in progress	720,483
Capital assets	
Land	347,101
Vehicles and equipment	417,382
Infrastructure	28,083,770
Less: accumulated depreciation	(10,673,186)
Total noncurrent assets	19,470,816
Total assets	19,903,297
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	286,669
Deferred outflows - OPEB	226,421
Total deferred outflows of resources	513,090
Total assets and deferred outflows of resources	\$ 20,416,387
LIABILITIES	
Current liabilities	
Accounts payable	\$ 11,604
Accrued payroll	36,850
Taxes payable	3,612
Accrued interest payable	16,884
Deposits payable	223,761
Due to other funds	62,655
Current portion of loans payable	55,775
Current portion of bonds payable	73,500
Total current liabilities	484,641
Noncurrent liabilities	
Loans payable, less current portion	716,467
Bonds payable, less current portion	1,921,100
Compensated absences	47,381
Net pension liability	1,369,004
Net OPEB liability	430,878
Total noncurrent liabilities	4,484,830
Total liabilities	4,969,471
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	13,798
Deferred inflows - OPEB	96,505
Total deferred inflows of resources	110,303
NET POSITION	
Net investment in capital assets	16,128,708
Restricted	575,266
Unrestricted	(1,367,361)
Total net position	15,336,613
Total liabilities, deferred inflows of resources, and net position	\$ 20,416,387

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

CITY OF CAMPTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2021

	Business-type Activities Utility Fund
Operating revenues	
Charges for services - water	1,376,146
Charges for services - sewer	267,819
Total operating revenues	1,643,965
Operating expenses	
Water purchases	29,133
Personnel expenses	911,317
Operating expenses	567,112
Maintenance and repairs	92,627
Depreciation	730,185
Total operating expenses	2,330,374
OPERATING INCOME (LOSS)	(686,409)
Nonoperating income (expense)	
Contributed capital - grants	427,481
Interest income	3,143
Interest expense	(65,197)
Total nonoperating income (expense)	365,427
CHANGE IN NET POSITION	(320,982)
Net position - beginning	15,657,595
NET POSITION - END OF YEAR	\$ 15,336,613

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

CITY OF CAMPTON, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2021

	Business-type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,627,552
Payments to suppliers	(643,568)
Payments for employee services and benefits	(717,203)
Net cash provided by (used in) operating activities	266,781
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from other funds	21,452
Net cash provided by (used in) non-capital and related financing activities	21,452
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant revenue	427,481
Purchases of construction in progress	(459,641)
Principal paid on debt	(125,762)
Interest paid on debt	(65,197)
Net cash provided by (used in) capital and related financing activities	(223,119)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	3,143
Net cash provided by investing activities	3,143
Net increase (decrease) in cash and cash equivalents	68,257
Cash and cash equivalents - beginning of the year	785,115
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 853,372
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (686,409)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	730,185
Net changes in pension liability	160,623
Net changes in OPEB liability	21,130
Change in assets and liabilities:	
Customer receivables, net	979
Accounts payable	4
Payroll liabilities	12,361
Other liabilities	45,300
Customer deposits	(17,392)
Net cash provided by (used in) operating activities	\$ 266,781

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

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Campton, Kentucky (the City) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Generally accepted accounting principles require governmental entities to determine the agencies or entities which comprise the government for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financing relationships and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matter. Based on these criteria, there are no additional agencies or entities that should be included.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net position/fund balance, revenues and expenditures or expenses.

Governmental Funds

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following governmental funds are used by the City of Campton:

General Fund - The General Fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Municipal Road Aid Fund accounts for funds received from the Commonwealth of Kentucky to be used for streets.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon the determination of net income, financial position, and changes in cash flows.

Enterprise (proprietary) funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the following:

Utility Fund - A proprietary fund used to account for the water and sewer utility services provided to the residents of the City of Campton, the operations of which are financed by user charges.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Taxes, intergovernmental revenues, other revenues and licenses and permits are accrued. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balances

The City of Campton 's fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has designated the Mayor to carry the intent of the City Commission.

Unassigned – all other spendable amounts.

As of June 30, 2021, fund balances are composed of the following:

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Restricted:			
Road repairs	\$ -	\$ 169,632	\$ 169,632
Unassigned	<u>398,466</u>	<u>-</u>	<u>398,466</u>
Total fund balances	<u>\$ 398,466</u>	<u>\$ 169,632</u>	<u>\$ 568,098</u>

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

E. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are adopted by ordinance of the City.

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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 benefit terms. Investments are reported at fair value.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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 benefit terms. Investments are reported at fair value.

H. Other Accounting Policies

The City considers demand deposits, money market funds and other investments with an original maturity of 90 days or less, to be cash equivalents.

Unearned revenues represent grant revenues received but not yet earned. Revenues are recognized when eligible expenditures are incurred.

In the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "internal balances". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Campton.

Proprietary funds report all revenues and expenses as operating, except interest income, grant revenue, interest expense, amortization and capital contributions.

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.

I. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through June 1, 2022, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2021, have not been evaluated by the City.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. CASH AND INVESTMENTS

Statutory Requirements

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have an investment policy.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy on custodial credit risk; however, state law requires the City to be adequately covered by federal depository insurance or by collateral pledged by the custodial bank.

The City of Campton's deposits at June 30, 2021, were completely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The book balance of the City's deposits at June 30, 2021 totaled \$1,306,782 and the bank balance totaled \$1,316,187. \$451,604 was covered by FDIC insurance and \$864,583 was collateralized by securities held by the pledging financial institution.

3. RECEIVABLES

The City's accounts receivable at June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Municipal Road Aid Fund	Governmental Funds Total
Governmental funds:			
General receivable	\$ 97,736	\$ 2,080	\$ 99,816
Less: allowance for uncollectible	<u>(47,783)</u>	<u>-</u>	<u>(47,783)</u>
Net receivables	<u>\$ 49,953</u>	<u>\$ 2,080</u>	<u>\$ 52,033</u>
	Utility Fund		
Business-type activities:			
Customer	\$ 148,961		
Less: allowance for uncollectible	<u>-</u>		
Net receivables	<u>\$ 148,961</u>		

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 162,062	\$ -	\$ -	\$ 162,062
Construction in progress	<u>25,326</u>	<u>99,465</u>	<u>-</u>	<u>124,791</u>
Totals	<u>187,388</u>	<u>99,465</u>	<u>-</u>	<u>286,853</u>
Capital assets that are depreciated:				
Buildings and improvements	86,709	-	-	86,709
Land improvements	89,124	-	-	89,124
Infrastructure	321,665	-	-	321,665
Equipment	<u>99,240</u>	<u>-</u>	<u>-</u>	<u>99,240</u>
Totals	<u>596,738</u>	<u>-</u>	<u>-</u>	<u>596,738</u>
Total capital assets	<u>784,126</u>	<u>99,465</u>	<u>-</u>	<u>883,591</u>
Less: accumulated depreciation				
Buildings and improvements	33,449	2,168	-	35,617
Land improvements	46,681	5,942	-	52,623
Infrastructure	145,831	19,306	-	165,137
Equipment	<u>99,240</u>	<u>-</u>	<u>-</u>	<u>99,240</u>
Totals	<u>325,201</u>	<u>27,416</u>	<u>-</u>	<u>352,617</u>
General capital assets, net	<u>\$ 458,925</u>	<u>\$ 72,049</u>	<u>\$ -</u>	<u>\$ 530,974</u>
Business-type Activities:				
Capital assets not depreciated:				
Land	\$ 347,101	\$ -	\$ -	\$ 347,101
Construction in progress	<u>251,746</u>	<u>468,737</u>	<u>-</u>	<u>720,483</u>
Totals	<u>598,847</u>	<u>468,737</u>	<u>-</u>	<u>1,067,584</u>
Capital assets that are depreciated:				
Buildings and improvements	\$ 13,977,386	\$ -	\$ -	\$ 13,977,386
Water system	7,192,070	-	-	7,192,070
Sewer system	6,914,314	-	-	6,914,314
Vehicles	201,618	-	-	201,618
Equipment	<u>215,764</u>	<u>-</u>	<u>-</u>	<u>215,764</u>
Totals	28,501,152	-	-	28,501,152
Less: accumulated depreciation	<u>9,943,001</u>	<u>730,185</u>	<u>-</u>	<u>10,673,186</u>
Business-type capital assets, net	<u>\$ 19,156,998</u>	<u>\$ (261,448)</u>	<u>\$ -</u>	<u>\$ 18,895,550</u>

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

General government	\$	21,526
Streets		<u>5,890</u>
 Total depreciation expense	 \$	 <u>27,416</u>

Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	10-20 years
Buildings and improvements	10-40 years
Land improvements	10-40 years
Machinery and equipment	3-10 years
Vehicles	3-10 years

5. LONG-TERM DEBT

GENERAL LONG-TERM DEBT

During the year ended June 30, 2021, the City retired its only remaining general debt with a principal payments totaling \$6,717.

BUSINESS-TYPE ACTIVITIES

City of Campton Water and Sewer Revenue Bonds, Series 1999

On December 20, 1995, Water System Revenue Bonds, Series 1999 were issued in the principal amount of \$593,000. The bonds bear interest at 3.25% with principal and interest payments to be made over a period of 37 years beginning in fiscal year 2002.

The following are the principal and interest maturities for the bonds outstanding as of June 30, 2021:

Fiscal Year	Principal	Interest	Total
2022	\$ 15,000	\$ 12,724	\$ 27,724
2023	16,000	12,220	28,220
2024	16,000	11,700	27,700
2025	17,000	11,164	28,164
2026	18,000	10,595	28,595
2027-2031	101,000	43,599	144,599
2032-2036	126,000	25,252	151,252
2037-2039	<u>90,000</u>	<u>4,456</u>	<u>94,456</u>
 Total	 <u>\$ 399,000</u>	 <u>\$ 131,710</u>	 <u>\$ 530,710</u>

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG-TERM DEBT

BUSINESS-TYPE ACTIVITIES (CONTINUED)

City of Campton Water and Sewer Revenue Bonds, Series 2010

On May 4, 2010, Water System Revenue Bonds, Series 2010 were issued in the principal amount of \$892,000. The bonds bear interest at 2.25% with principal and interest payments to be made over a period of 37 years beginning in fiscal year 2012.

The following are the principal and interest maturities for the bonds outstanding as of June 30, 2021:

Fiscal Year	Principal	Interest	Total
2022	\$ 18,500	\$ 16,099	\$ 34,599
2023	19,000	15,677	34,677
2024	19,500	15,244	34,744
2025	20,000	14,800	34,800
2026	20,500	14,344	34,844
2027-2031	110,000	64,492	174,492
2032-2036	123,500	51,392	174,892
2037-2041	140,000	36,581	176,581
2042-2046	158,500	19,824	178,324
2047-2049	<u>95,267</u>	<u>2,741</u>	<u>98,008</u>
Total	<u>\$ 724,767</u>	<u>\$ 251,194</u>	<u>\$ 975,961</u>

Kentucky Bond Corporation Revenue Bonds, Series 2020B

On May 13, 2020, Kentucky Bond Corporation Revenue Bonds, Series 2020B were issued in the principal amount of \$909,375. The bonds bear interest at 2.00% with principal and interest payments to be made over a period of 21 years beginning in fiscal year 2021.

The following are the principal and interest maturities for the bonds outstanding as of June 30, 2021:

Fiscal Year	Principal	Interest	Fees	Total
2022	\$ 40,000	\$ 12,724	\$ 2,658	\$ 55,382
2023	42,083	20,435	2,558	65,076
2024	45,000	19,594	2,453	67,047
2025	45,000	18,694	2,341	66,035
2026	45,000	17,794	2,228	65,022
2027-2031	222,917	75,048	9,403	307,368
2032-2036	202,917	51,039	6,711	260,667
2037-2041	177,083	25,511	4,380	206,974
2042-2043	<u>50,833</u>	<u>2,300</u>	<u>792</u>	<u>53,925</u>
Total	<u>\$ 870,833</u>	<u>\$ 243,139</u>	<u>\$ 33,524</u>	<u>\$ 1,147,496</u>

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG-TERM DEBT

BUSINESS-TYPE ACTIVITIES (CONTINUED)

Kentucky Infrastructure Authority Loan A11-04

On August 1, 2012, the City obtained a loan with Kentucky Infrastructure Authority in the principal amount of \$1,400,000. The loan bears interest at 1.00% with principal and interest payments to be made over a period of 19 years beginning in fiscal year 2016.

The following are the principal and interest maturities for the bonds outstanding as of June 30, 2021:

Fiscal Year	Principal	Interest	Fees	Total
2022	\$ 40,105	\$ 5,813	\$ 1,163	\$ 47,081
2023	40,507	5,410	1,082	46,999
2024	40,914	5,003	1,001	46,918
2025	41,325	4,592	918	46,835
2026	41,740	4,177	835	46,752
2027-2031	215,076	14,510	2,902	232,488
2032-2035	<u>179,972</u>	<u>3,697</u>	<u>740</u>	<u>184,409</u>
Total	<u>\$ 599,639</u>	<u>\$ 43,202</u>	<u>\$ 8,641</u>	<u>\$ 651,482</u>

Kentucky Infrastructure Authority Loan F209-08

On January 5, 2010, the City obtained a loan with Kentucky Infrastructure Authority in the principal amount of \$683,200. The loan bears interest at 1.00% with principal and interest payments to be made over a period of 19 years beginning in fiscal year 2012.

The following are the principal and interest maturities for the bonds outstanding as of June 30, 2021:

Fiscal Year	Principal	Interest	Fees	Total
2022	\$ 15,671	\$ 1,688	\$ 423	\$ 17,782
2023	15,828	1,530	382	17,740
2024	15,986	1,371	343	17,700
2025	16,147	1,211	303	17,661
2026	16,308	1,049	262	17,619
2037-2039	<u>92,663</u>	<u>2,803</u>	<u>701</u>	<u>96,167</u>
Total	<u>\$ 172,603</u>	<u>\$ 9,652</u>	<u>\$ 2,414</u>	<u>\$ 184,669</u>

The changes in business-type activities long-term debt is as follows:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Direct borrowings	\$ 2,892,604	\$ -	\$ (125,762)	\$ 2,766,842
Net pension liability	1,121,278	247,726	-	1,369,004
Net OPEB liability	<u>268,087</u>	<u>162,791</u>	<u>-</u>	<u>430,878</u>
Total	<u>\$ 4,281,969</u>	<u>\$ 410,517</u>	<u>\$ (125,762)</u>	<u>\$ 4,566,724</u>

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. RETIREMENT PLAN

CERS

The City of Campton is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2021, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The 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 basis adopted by the Board. For the year ended June 30, 2021, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2021, the City contributed \$80,872 or 100% of the required contribution for non-hazardous job classifications.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. RETIREMENT PLAN (CONTINUED)

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net	
Pension Liability	Non-hazardous
<u>\$ 1,369,004</u>	<u>\$ 1,369,004</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2020 was as follows:

Non-hazardous
.0178%

The proportionate share measured at June 30, 2020, relative to June 30, 2019, did not change for non-hazardous.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2021, the City recognized pension expense of \$241,495. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 34,139	\$ -
Changes of assumptions	53,457	-
Net difference between projected and actual earnings on plan investments	34,258	-
Changes in proportion and differences between City contributions and proportionate share of contributions	83,943	13,798
City contributions subsequent to the measurement date	<u>80,872</u>	<u>-</u>
Total	<u>\$ 286,669</u>	<u>\$ 13,798</u>

The \$80,872 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2022	\$ 82,689
2023	\$ 73,485
2024	\$ 22,066
2025	\$ 13,759

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

Non-hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. RETIREMENT PLAN (CONTINUED)

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 nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. 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 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, 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 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

Non-hazardous		
	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 1,688,279
Current discount rate	6.25%	\$ 1,369,004
1% increase	7.25%	\$ 1,104,631

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$7,997 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, the City of Campton participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 6, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2021, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, the City contributed \$19,946, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous
<u>\$ 430,878</u>	<u>\$ 430,878</u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2020 was as follows:

Non-hazardous
.0178%

The proportionate share measured at June 30, 2020, relative to June 30, 2019, increased by .002% for non-hazardous.

For the year ended June 30, 2020, the City recognized OPEB expense of \$60,618. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 71,991	\$ 72,047
Changes of assumptions	74,947	456
Net difference between projected and actual earnings on plan investments	14,321	-
Changes in proportion and differences between City contributions and proportionate share of contributions	25,849	15,210
City contributions subsequent to the measurement date	<u>30,521</u>	<u>-</u>
Total	<u>\$ 217,629</u>	<u>\$ 87,713</u>

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The \$30,521 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. This includes adjustments of \$10,575 for the nonhazardous implicit subsidy, which is required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2022	\$ 25,882
2023	\$ 30,120
2024	\$ 22,000
2025	\$ 22,762
2026	\$ (1,369)

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

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post – 65:	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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 rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous classifications. 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 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate 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 1-percentage-point lower or 1-percentage-point higher than the current rate:

Non-hazardous		
	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.34%	\$ 553,552
Current discount rate	5.34%	\$ 430,878
1% increase	6.34%	\$ 330,122

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Non-hazardous		
		City's proportionate share of net OPEB liability
1% decrease		\$ 333,608
Current trend rate		\$ 430,878
1% increase		\$ 548,919

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

8. INTERFUND LOANS

The purpose of transfers is to move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them. During fiscal year 2021, the City transferred a total of \$62,655 from the Utility Fund to the General and Road Aid Funds. These are recorded as due from other funds in the amounts of \$60,268 and \$2,387, respectively

CITY OF CAMPTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2021 were levied in September 2020 on the assessed valuation of property located in the City of Campton as of the preceding January 1, the lien date. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.020
1. Due date for payment of taxes	November 1, 2020
2. Discount of 2%	Before November 1, 2020
3. Face value amount of payment dates	November 2 - December 31, 2020
4. 2% penalty delinquent date	January 1, 2021
5. 10% penalty delinquent date	February 1, 2021
6. 6% interest per annum	all bills paid after January 1, 2021

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Wolfe County and are due and collected in the birth month of the vehicle's licensee.

10. RISK MANAGEMENT

The City of Campton is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. RESTATEMENT

The City restated its governmental activities beginning balance in the Statement of Activities, by \$81,680, to account for infrastructure activity in the prior year that was charged to expense and not capitalized.

12. COVID-19 PANDEMIC

Since 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the local businesses could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property taxes	\$ 28,000	\$ 28,000	\$ 25,520	\$ (2,480)
Total taxes	<u>28,000</u>	<u>28,000</u>	<u>25,520</u>	<u>(2,480)</u>
Licenses and permits				
Insurance premium fees	56,000	56,000	93,152	37,152
Alcoholic beverage licenses	1,150	1,150	1,500	350
Business licenses	2,100	2,100	6,191	4,091
Franchise fees	<u>6,239</u>	<u>6,239</u>	<u>9,465</u>	<u>3,226</u>
Total licenses and permits	<u>65,489</u>	<u>65,489</u>	<u>110,308</u>	<u>44,819</u>
Intergovernmental				
Sidewalk project	-	-	21,452	21,452
Mountain Parkway improvements	<u>-</u>	<u>-</u>	<u>44,900</u>	<u>44,900</u>
Total intergovernmental	<u>-</u>	<u>-</u>	<u>66,352</u>	<u>66,352</u>
Other revenues				
Litter abatement	200	200	-	(200)
Interest income	2,000	2,000	2,196	196
Miscellaneous	<u>-</u>	<u>-</u>	<u>3,230</u>	<u>3,230</u>
Total other revenues	<u>2,200</u>	<u>2,200</u>	<u>5,426</u>	<u>3,226</u>
TOTAL REVENUE	<u>\$ 95,689</u>	<u>\$ 95,689</u>	<u>\$ 207,606</u>	<u>\$ 111,917</u>

CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government				
Cleaning supplies	\$ 4,300	\$ 4,300	\$ -	\$ (4,300)
Donations	3,500	3,500	750	(2,750)
Dues	800	800	-	(800)
Interest expense	5,000	5,000	-	(5,000)
Flowers	1,500	1,500	337	(1,163)
Litter clean-up	3,000	3,000	1,062	(1,938)
Miscellaneous	10,000	10,000	5,407	(4,593)
Maintenance and repairs	1,500	1,500	225	(1,275)
Office supplies	20,000	20,000	1,787	(18,213)
Postage	9,000	9,000	220	(8,780)
Publications and magazines	2,000	2,000	-	(2,000)
Recording of deeds or easements	574	574	65	(509)
Safe deposit box fee	15	15	15	-
Total general government	<u>61,189</u>	<u>61,189</u>	<u>9,868</u>	<u>(51,321)</u>
Fire	<u>25,000</u>	<u>25,000</u>	<u>13,124</u>	<u>(11,876)</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>99,465</u>	<u>99,465</u>
Debt service	<u>9,500</u>	<u>9,500</u>	<u>6,822</u>	<u>(2,678)</u>
TOTAL EXPENDITURES	<u>\$ 95,689</u>	<u>\$ 95,689</u>	<u>\$ 129,279</u>	<u>\$ 33,590</u>

CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Mineral and coal taxes	\$ -	\$ -	\$ 3,461	\$ 3,461
Intergovernmental revenues	<u>50,000</u>	<u>50,000</u>	<u>9,422</u>	<u>(40,578)</u>
	<u>50,000</u>	<u>50,000</u>	<u>12,883</u>	<u>(37,117)</u>
Other financing sources				
Interest income	<u>2,000</u>	<u>2,000</u>	<u>1,236</u>	<u>(764)</u>
TOTAL REVENUE	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 14,119</u>	<u>\$ (37,881)</u>
EXPENDITURES				
Street expenditures	52,000	52,000	596	(51,404)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 596</u>	<u>\$ (51,404)</u>

**CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Six Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.0150%	0.0147%	0.0154%	0.0173%	0.0163%	0.0178%
City's proportionate share of the net pension liability (asset)	\$ 477,000	\$ 760,020	\$ 1,014,671	\$ 993,329	\$ 1,121,278	\$ 1,369,004
City's covered employee payroll	\$ 342,863	\$ 337,105	\$ 377,914	\$ 371,165	\$ 374,347	\$ 382,807
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	139.12%	225.45%	268.49%	267.62%	299.53%	357.62%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	60.00%	55.50%	52.40%	53.54%	50.45%

The above schedule will present 10 years of historical data, once available.

**CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 62,118	\$ 63,757	\$ 45,376	\$ 58,878	\$ 58,534	\$ 65,231	\$ 80,872
Contributions relative to contractually required employer contribution	<u>44,525</u>	<u>63,795</u>	<u>43,855</u>	<u>58,878</u>	<u>58,534</u>	<u>65,231</u>	<u>80,872</u>
Contribution deficiency (excess)	<u>\$ 17,593</u>	<u>\$ (38)</u>	<u>\$ 1,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 342,863	\$ 337,105	\$ 377,914	\$ 371,165	\$ 374,347	\$ 382,807	\$ 419,028
Employer contributions as a percentage of covered-employee payroll	18.12%	18.91%	12.01%	15.86%	15.64%	17.04%	19.30%

The above schedule will present 10 years of historical data, once available.

**CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Three Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.0173%	0.0163%	0.0178%
City's proportionate share of the net OPEB liability (asset)	\$ 289,563	\$ 268,087	\$ 430,878
City's covered employee payroll	\$ 371,165	\$ 374,347	\$ 382,807
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	78.01%	71.61%	112.56%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	60.44%	51.67%

The above schedule will present 10 years of historical data, once available.

**CITY OF CAMPTON, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Four Fiscal Years**

	2018	2019	2020	2021
Contractually required employer contribution	\$ 22,151	\$ 18,999	\$ 21,154	\$ 19,946
Contributions relative to contractually required employer contribution	<u>22,151</u>	<u>18,999</u>	<u>21,154</u>	<u>19,946</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 371,165	\$ 374,347	\$ 382,807	\$ 419,028
Employer contributions as a percentage of covered-employee payroll	5.97%	5.08%	5.53%	4.76%

The above schedule will present 10 years of historical data, once available.

CITY OF CAMPTON, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2020 – Pension and OPEB – Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

June 30, 2019 – Pension and OPEB – Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB – Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension and OPEB – Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

CITY OF CAMPTON, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Commissioners
City of Campton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campton, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Campton, Kentucky's basic financial statements and have issued our report thereon dated June 1, 2022.

Internal Control over Financial Reporting

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

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

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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weaknesses.

Compliance and Other Matters

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

RFH
RFH, PLLC
Lexington, Kentucky
June 1, 2022

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.

Purpose of this Report

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

City of Campton, Kentucky's Response to Findings

CITY OF CAMPTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

2021-001 *The City should have internal controls in place that enable it to prepare complete financial statements.*

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition: Management was unable to prepare draft financial statements, including the related notes to the financial statements.

Cause: The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Management's Response: Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.