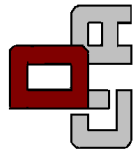


CITY OF CLARKSON, KENTUCKY
FINANCIAL STATEMENTS WITH ACCOMPANYING
INFORMATION

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

**CITY OF CLARKSON, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension and other post-employment benefit (OPEB) schedules, and notes to required supplementary information on pages 34 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information shown on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information shown on page 46 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on page 46 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023 on our consideration of City of Clarkson, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clarkson, Kentucky's internal control over financial reporting and compliance.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

March 16, 2023

CITY OF CLARKSON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 151,281	\$ 32,926	\$ 184,207
Receivables:			
Intergovernmental	8,110	-	8,110
Taxes, licenses, and fees	93,382	-	93,382
Other accounts receivable, net	17,495	4,319	21,814
Unbilled revenues	-	26,020	26,020
Total Current Assets	<u>270,268</u>	<u>63,265</u>	<u>333,533</u>
Noncurrent Assets			
Restricted cash and cash equivalents	177,685	126,211	303,896
Capital assets not being depreciated	157,299	94,108	251,407
Other capital assets, net of depreciation	661,668	2,235,997	2,897,665
Total Noncurrent Assets	<u>996,652</u>	<u>2,456,316</u>	<u>3,452,968</u>
Total Assets	<u>1,266,920</u>	<u>2,519,581</u>	<u>3,786,501</u>
Deferred Outflows of Resources			
Deferred amount from pension	148,271	27,282	175,553
Deferred amount from OPEB	97,762	17,020	114,782
Total Deferred Outflows of Resources	<u>246,033</u>	<u>44,302</u>	<u>290,335</u>
Liabilities			
Current Liabilities			
Accounts payable	53,716	4,219	57,935
Accrued liabilities	22,437	317	22,754
Customer deposits	-	43,325	43,325
Accrued interest payable	998	20,740	21,738
Current portion of long-term debt	31,457	50,000	81,457
Total Current Liabilities	<u>108,608</u>	<u>118,601</u>	<u>227,209</u>
Noncurrent Liabilities			
Compensated absences	5,198	1,298	6,496
Net pension liability	557,645	88,696	646,341
Net OPEB liability	173,952	27,915	201,867
Assessment due County Employees Retirement	43,045	-	43,045
Liens payable to be refinanced with long-term debt	21,961	-	21,961
Loan payable, long-term	200,335	-	200,335
Bonds payable, long-term	145,892	1,402,500	1,548,392
Total Noncurrent Liabilities	<u>1,148,028</u>	<u>1,520,409</u>	<u>2,668,437</u>
Total Liabilities	<u>1,256,636</u>	<u>1,639,010</u>	<u>2,895,646</u>
Deferred Inflows of Resources			
Deferred amount from pension	23,948	#REF!	#REF!
Deferred amount from OPEB	37,534	4,285	41,819
Total Deferred Inflows of Resources	<u>61,482</u>	<u>#REF!</u>	<u>#REF!</u>
Net Position			
Net investment in capital assets	441,283	877,605	1,318,888
Restricted for:			
Debt service	177,685	78,810	256,495
Asset replacement	-	47,401	47,401
Streets	165,287	-	165,287
Unrestricted (deficit)	(589,420)	(83,228)	(672,648)
Total Net Position	<u>\$ 194,835</u>	<u>\$ 920,588</u>	<u>\$ 1,115,423</u>

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

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

Functions/Programs	Program Revenues			Net (Expense)/Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
General government	\$ 311,168	\$ 2,450	\$ 85,523	(223,195)	\$ -	\$ (223,195)
Economic development	-	-	2,556	2,556	-	2,556
Parks and recreation	50,892	32,064	-	(18,828)	-	(18,828)
Public safety						
Police	186,858	245	15,914	(170,699)	-	(170,699)
Fire	88,280	43,004	13,700	(31,576)	-	(31,576)
Sanitation	111,104	165,240	-	54,136	-	54,136
Streets	21,841	-	22,322	481	-	481
Interest on long-term debt	11,476	-	-	(11,476)	-	(11,476)
Total Governmental Activities	<u>781,619</u>	<u>243,003</u>	<u>140,015</u>	<u>(398,601)</u>	<u>-</u>	<u>(398,601)</u>
Business-Type Activities						
Sewer	316,330	218,160	-	-	(98,170)	(98,170)
Total Primary Government	<u>\$ 1,097,949</u>	<u>\$ 461,163</u>	<u>.</u>	<u>\$ (398,601)</u>	<u>\$ (98,170)</u>	<u>\$ (496,771)</u>
General Revenues						
Taxes:						
Property taxes, levied for general purposes				63,571	-	63,571
Motor vehicle taxes				4,422	-	4,422
Utility taxes				40,287	-	40,287
Occupational taxes				191,802	-	191,802
Insurance premium tax				90,422	-	90,422
Telecommunications tax				6,026	-	6,026
Licenses and permits				5,721	-	5,721
Investment income				67	60	127
Insurance proceeds				14,576	-	14,576
Miscellaneous income				807	-	807
Total General Revenues				<u>417,701</u>	<u>60</u>	<u>417,761</u>
Transfers				(8,869)	8,869	-
Total				<u>408,832</u>	<u>8,929</u>	<u>417,761</u>
Change in Net Position				10,231	(89,241)	(79,010)
Net Position - July 1, 2020				<u>184,604</u>	<u>1,009,829</u>	<u>1,194,433</u>
Net Position - June 30, 2021				<u>\$ 194,835</u>	<u>\$ 920,588</u>	<u>\$ 1,115,423</u>

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

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

	<u>General Fund</u>	<u>MRA Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 148,539	\$ 2,742	\$ -	\$ 151,281
Restricted cash	-	177,685	-	177,685
Taxes receivable	93,382	-	-	93,382
Grants receivable	-	8,110	-	8,110
Other accounts receivable-net	17,495	-	-	17,495
Total Assets	<u>\$ 259,416</u>	<u>\$ 188,537</u>	<u>\$ -</u>	<u>\$ 447,953</u>
Liabilities				
Accounts payable	\$ 30,466	\$ 23,250	\$ -	\$ 53,716
Accrued liabilities	705	-	-	705
Payroll taxes payable	14,721	-	-	14,721
Accrued payroll	7,011	-	-	7,011
Total Liabilities	<u>52,903</u>	<u>23,250</u>	<u>-</u>	<u>76,153</u>
Fund Balances				
Committed to streets	-	177,685	-	177,685
Committed to public safety	30,389	-	-	30,389
Assigned to municipal roads	-	(12,398)	-	(12,398)
Assigned to community	2,891	-	-	2,891
Unassigned	173,233	-	-	173,233
Total Fund Balances	<u>206,513</u>	<u>165,287</u>	<u>-</u>	<u>371,800</u>
Total Liabilities and Fund Balances	<u>\$ 259,416</u>	<u>\$ 188,537</u>	<u>\$ -</u>	<u>\$ 447,953</u>

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

Total Governmental Fund Balances	\$ 371,800
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.	818,967
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds.	
Deferred pension related outflows	148,271
Deferred pension related inflows	(23,948)
Deferred OPEB related outflows	97,762
Deferred OPEB related inflows	<u>(37,534)</u>
Certain liabilities are not reported in the fund financial statements because they are not due and payable; however, they are presented in the Statement of Net Position.	
Accrued interest payable	(998)
Compensated absences	(5,198)
Assessment due County Employees Retirement	(43,045)
Assumed liens to be paid with long-term debt	(21,961)
Notes and bonds payable	(377,684)
Net pension liability	(557,645)
Net OPEB liability	<u>(173,952)</u>
Total Net Position of Governmental Activities	<u>\$ 194,835</u>

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

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

	General Fund	Municipal Road Aid Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Property taxes	\$ 63,571	\$ -	\$ -	\$ 63,571
Utility taxes	40,287	-	-	40,287
Occupational taxes	191,802	-	-	191,802
Insurance premium tax	90,422	-	-	90,422
Motor vehicle tax	4,422	-	-	4,422
Telecommunications tax	6,026	-	-	6,026
Licenses and permits	5,721	-	-	5,721
Intergovernmental revenues	115,468	22,322	-	137,790
Donations	2,225	-	-	2,225
Charges for services	243,003	-	-	243,003
Interest income	51	16	-	67
Other revenues	807	-	-	807
Total Revenues	763,805	22,338	-	786,143
Expenditures				
Current:				
General government	272,021	-	-	272,021
Parks and recreation	46,683	-	-	46,683
Public safety				
Police	113,364	-	-	113,364
Fire	50,801	-	-	50,801
Sanitation	103,832	-	-	103,832
Streets	-	9,531	-	9,531
Capital outlay	94,185	29,464	-	123,649
Debt service:				
Principal	1,200	15,000	21,725	37,925
Interest	-	3,963	9,182	13,145
Total Expenditures	682,086	57,958	30,907	770,951
Excess (Deficiency) of Revenues Over Expenditures	81,719	(35,620)	(30,907)	15,192
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	17,545	-	-	17,545
Assumption of liens	21,961	-	-	21,961
Operating transfers in	48,626	-	30,907	79,533
Operating transfers out	(88,402)	-	-	(88,402)
Total Other Financing Sources (Uses)	(270)	-	30,907	30,637
Net Change in Fund Balances	81,449	(35,620)	-	45,829
Fund Balances - July 1, 2020	125,064	200,907	-	325,971
Fund Balances - June 30, 2021	\$ 206,513	\$ 165,287	\$ -	\$ 371,800

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

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

Net Changes in Fund Balances - Governmental Funds \$ 45,829

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

Debt proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position, Principal payments are reported as expenditures in governmental funds and thus reduce the fund balance. In the Statement of Net Position, note repayments reduce liabilities. This is the amount by which repayments (\$37,925) exceed debt proceeds (\$21,961). 15,964

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 (\$123,649) exceeded depreciation (\$75,443) in the current period. 48,206

In the Statement of Activities, the change in net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources are reported while the changes in these accounts are not reported in the governmental funds. This is the net change in these accounts. (97,067)

In the Statement of Activities, only the gain on the sale or disposal of capital assets is reported, whereas in the governmental 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 that was sold or disposed. (2,970)

In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for this amount are measured by the amount actually paid, (1,399)

Interest is recorded as an expenditure when due in the governmental funds and as it accrues in the Statement of Activities. 1,551

The change in bond premium is reported in the Statement of Activities, whereas in the governmental fund, the change in the liability is not recorded, Thus, the change in net position differs from the change in fund balances by the change in the bond premium liability. 117

Change in Net Position of Governmental Activities \$ 10,231

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

CITY OF CLARKSON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021

	Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 32,926
Trade accounts receivable - net of allowance	4,319
Unbilled revenue	26,020
Total Current Assets	63,265
Noncurrent Assets	
Restricted cash	126,211
Capital assets:	
Capital assets not being depreciated	94,108
Other capital assets, net of depreciation	2,235,997
Total Noncurrent Assets	2,456,316
Total Assets	2,519,581
Deferred Outflows of Resources	
Deferred amount from pension	27,282
Deferred amount from OPEB	17,020
Total Deferred Outflows of Resources	44,302
Liabilities	
Current Liabilities	
Accounts payable	4,219
Accrued liabilities	317
Customer deposits	43,325
Accrued interest payable	20,740
Current portion of long-term debt	50,000
Total Current Liabilities	118,601
Noncurrent Liabilities	
Compensated absences	1,298
Bonds payable, long-term	1,402,500
Net pension liability	88,696
Net OPEB liability	27,915
Total Noncurrent Liabilities	1,520,409
Total Liabilities	1,639,010
Deferred Inflows of Resources	
Deferred amount from OPEB	4,285
Total Deferred Inflows of Resources	4,285
Net Position	
Net investment in capital assets	877,605
Restricted for:	
Debt service	78,810
Asset replacement	47,401
Unrestricted	(83,228)
Total Net Position	\$ 920,588

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

**CITY OF CLARKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Enterprise Fund
Operating Revenues	
Charges for services, net of refunds	\$ 218,160
Operating Expenses	
Depreciation expense	117,179
General administrative, supplies and services	11,040
Insurance	6,498
Payroll and related benefits and taxes	81,548
Professional services	9,138
Repairs and maintenance	20,050
Utilities	28,445
Total Operating Expenses	273,898
Operating Income	(55,738)
Non-Operating Revenues (Expenses)	
Interest income	60
Interest expense	(42,432)
Total Non-Operating Revenues (Expenses)	(42,372)
Income Before Transfers	(98,110)
Operating Transfers	
Operating transfers in	57,495
Operating transfers out	(48,626)
Net Operating Transfers	8,869
Change in Net Position	(89,241)
Net Position - July 1, 2020	1,009,829
Net Position - June 30, 2021	\$ 920,588

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

**CITY OF CLARKSON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 221,326
Payments to suppliers	(71,330)
Cash payments to employees for services	(58,775)
Net Cash Provided by Operating Activities	<u>91,221</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers from other funds	57,495
Transfers to other funds	(48,626)
Net Cash Used by Noncapital Financing Activities	<u>8,869</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(6,802)
Principal payments	(48,807)
Interest payments	(43,383)
Net Cash Used by Capital and Related Financing Activities	<u>(98,992)</u>
Cash Flows from Investing Activities:	
Interest income	60
Net Decrease in Cash and Cash Equivalents	1,158
Cash and Cash Equivalents - July 1, 2020	<u>157,979</u>
Cash and Cash Equivalents - June 30, 2021	<u><u>\$ 159,137</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ (55,738)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	117,179
Change in assets and liabilities:	
Accounts receivable, net of allowance	(938)
Unbilled revenue	1,104
Accounts payable	3,770
Accrued liabilities	71
Compensated absences	6
Customer deposits	3,000
Deferred outflows, inflows, and net pension and OPEB liability	22,767
Net Cash Provided by Operating Activities	<u><u>\$ 91,221</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (Governmental Accounting Standards Board). Determination of the financial reporting entity of the City is founded upon the objective of accountability. Therefore, these financial statements include the City government (the primary government).

A. Reporting Entity

The City of Clarkson, Kentucky (City) was chartered in 1908 and incorporated under the provisions of the Commonwealth of Kentucky. The City operates under the Mayor-Commission form of government. The citizens of Clarkson elect a mayor-at-large and four City Commissioners. As authorized by its charter, the City provides the following services: public safety (police and fire), streets, sewer, sanitation, recreation, public improvements, and general administrative services.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Clarkson. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Clarkson.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the City is financially accountable. The City is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the City or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the City or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City's financial statements to be incomplete. Applying this definition, City management has determined there are no component units reportable within the accompanying financial statements.

B. Basis of Presentation

The City's government-wide financial statements provide both short-term and long-term information about the City's overall financial status. Fund financial statements focus on the individual activities of City government, reporting the City's operations in more detail than the government-wide financial statements.

C. Basis of Accounting and Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Governmental funds use the modified accrual basis of accounting and proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Government-wide Financial Statements

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position.

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Concluded)

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund: The General Fund is the City of Clarkson, Kentucky's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Aid Fund: This fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures to be used to account for and report resources restricted or committed to improvement of the City's roads and sidewalks. The primary sources of revenue are intergovernmental grants.

The City reports the following non-major fund:

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest payments on long-term debt.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the activities related to the provision of sewer services to the City of Clarkson, Kentucky's businesses, residents, schools, and churches. It operates the sewer treatment plant, sewer collection systems, and pump stations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

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

E. Restricted Cash and Cash Equivalents

Restricted assets include those monies reserved for revenue bond debt and loans with reserve covenants.

F. Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2021 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories are carried at cost on the first in, first out-FIFO basis. No inventory is maintained in the Sewer Fund.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,000. The City uses a threshold of \$5,000 for infrastructure (streets, roads, bridges, sidewalks). Improvements to buildings and land are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets are depreciated. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Description	Governmental Activities Estimated Lives
Buildings	25 – 50 Years
Improvements	10 – 50 Years
Machinery, furniture and equipment	5 – 10 Years
Infrastructure	15 – 75 Years
Sewer systems	25 – 50 Years

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, long-term obligations, and compensated absences are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K. Compensated Absences

The criteria for determining compensated absences (i.e., paid absences for employee vacation) liability are derived from City policy, negotiated agreements, and state law. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported for compensated absences in the governmental fund financial statements only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

Payments for vacation leave will be made at rates in effect when the benefits are used. Accumulated vacation leave liabilities at June 30, 2021 are determined on the basis of current salary rates and include salary related payments.

Sick pay is charged to the fund financial statements when paid. Generally, sick leave is paid only when an employee is absent due to illness, injury, or related family death. Employees are not eligible for sick pay upon termination or retirement.

L. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balances (Concluded)

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. At June 30, 2021, the City had \$177,685 restricted for municipal road aid.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commission - the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. At June 30, 2021, the City had \$30,389 committed to public safety.

Assigned fund balance: This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Commission and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. At June 30, 2021, the City had \$2,891 assigned to community.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources--committed, assigned, and unassigned--in order as needed.

M. Net Position

Net position represents the difference between assets and deferred outflow and liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. Pensions and OPEB Plans

For purposes of measuring the net pension liability, net OPEB liability, 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 Non-Hazardous ("CERS Non-Hazardous") and County Employees Retirement System Hazardous ("CERS Hazardous") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$0.084 per \$100 valuation for real property, \$0.1218 per \$100 valuation for business personal property and \$0.10 per \$100 valuation for motor vehicles. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

P. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". 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.

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involve entities external to the City are accounted for as revenues, expenditures, or expenses in the funds.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

R. Budgetary Process

The City's budgetary process accounts for its transactions the same as the governmental funds, using the modified accrual basis of accounting. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Budget amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The City has one item that qualifies as a deferred outflow of resources for CERS pension and OPEB contributions made subsequent to the pension plan's measurement date. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category; that item is the proportionate share of CERS amounts reported for the net difference between projected and actual earnings on pension and OPEB plan investments. This item is reported in the governmental balance sheet and on the Statement of Net Position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

U. Nonexchange Transactions

The recognition of assets, liabilities, and expense/expenditures resulting from nonexchange transactions of the City of Clarkson, Kentucky are as follows:

Imposed nonexchange revenues: Property taxes are assessed January 1st 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 an 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.

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.

U. Nonexchange Transactions (Concluded)

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.

V. Impairment of Long-Lived Assets

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

W. Fair Value Measurement

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.

X. Recently Issued and Adopted Accounting Principles

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2020, the GASB issued statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6-9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk: For deposits, 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 its investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk. Cash deposits held at BNY Mellon are secured by FDIC up to \$250,000 and any excess is secured by U.S. Government Obligations. At June 30, 2021, \$72,198 of the City's bank balance of \$499,883 was uncollateralized and exposed to custodial credit risk.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 4 - TAX ABATEMENT AGREEMENT

The City has one property tax abatement agreement with a local business which constructed new facilities within the city limits in 2015. Pursuant to the Industrial Building Revenue Bond Act (Section 103.200), the City issued \$6,600,000 of bonds (Series 2015 City of Clarkson, Kentucky Industrial Revenue Building Bonds) to fund the project (see Note 7). The City and the Company entered into a payment in lieu of taxes agreement in accordance with KRS 154.32. Beginning January 1, 2016 and for each calendar year thereafter through the calendar year ending December 31, 2036 (the "PILOT Term"), the Company will make on or before December 1 of each of those years a payment to the City of Clarkson, Kentucky in the amount of \$8,000 (the "Payment in Lieu Amount"). The Company shall have no obligation to pay any other amounts related to ad valorem property taxes to the City during the PILOT Term. At such time as the Bonds are no longer outstanding, the Project shall be transferred by the Issuer to the Company and the real property, improvements and equipment constituting the Project shall be placed on the City tax rolls for assessment and payment of all applicable local ad valorem taxes.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable are shown net of an allowance for doubtful accounts. Accounts which are determined to be uncollectible are charged against the allowance for doubtful accounts at the time such determination is made. At June 30, 2021, total accounts receivable balance was \$12,641 and the allowance for doubtful accounts was \$8,322.

NOTE 6 - DEFICIT FUND BALANCES/NET POSITION

No funds of the City ended the fiscal year with a deficit fund balance or net position. The MRA Fund ended the year with a reduction in fund balance and the Governmental Activities, Business-type Activities, and Sewer Fund ended the year with a reduction in net position.

NOTE 7 - INTERFUND ACTIVITY

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 30,907	Debt service
Sewer Fund	General Fund	48,625	Fund expenditures
General Fund	Sewer Fund	57,495	Fund expenditures
		<u>\$137,027</u>	

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

NOTE 8 - CAPITAL ASSETS

The following is a summary of the capital assets activity for the year ended June 30, 2021:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Construction in process	\$ 686	\$ 29,464	\$ -	\$ 30,150
Land - general government	20,908	-	-	20,908
Land - public safety	6,280	-	-	6,280
Land - recreation	78,000	21,961	-	99,961
Total	<u>105,874</u>	<u>51,425</u>	<u>-</u>	<u>157,299</u>
Other capital assets:				
Buildings and improvements	710,484	2,700	-	713,184
Infrastructure	1,294,958	-	-	1,294,958
Equipment - office, fire and police	765,704	64,479	(44,991)	785,192
Equipment - streets	15,900	-	-	15,900
Equipment - parks and recreation	8,300	5,045	-	13,345
Total	<u>2,795,346</u>	<u>72,224</u>	<u>(44,991)</u>	<u>2,822,579</u>
Less: accumulated depreciation				
Buildings and improvements	342,160	15,122	-	357,282
Infrastructure	1,138,307	12,095	-	1,150,402
Equipment - office, fire and police	624,258	47,692	42,021	629,929
Equipment - streets	15,897	-	-	15,897
Equipment - parks and recreation	6,867	534	-	7,401
Total	<u>2,127,489</u>	<u>75,443</u>	<u>42,021</u>	<u>2,160,911</u>
Total capital assets, net	<u>\$ 773,731</u>	<u>\$ 48,206</u>	<u>\$ (2,970)</u>	<u>\$ 818,967</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 94,108	\$ -	\$ -	\$ 94,108
Other capital assets:				
Equipment	11,503	6,802	-	18,305
Sewer treatment plant and system	3,827,183	1,500	-	3,828,683
Vehicle	10,100	-	-	10,100
Total	<u>3,848,786</u>	<u>8,302</u>	<u>-</u>	<u>3,857,088</u>
Less: accumulated depreciation	<u>1,503,912</u>	<u>117,179</u>	<u>-</u>	<u>1,621,091</u>
Total other capital assets, net of depreciation	<u>2,344,874</u>	<u>(108,877)</u>	<u>-</u>	<u>2,235,997</u>
Total capital assets, net	<u>\$2,438,982</u>	<u>\$(108,877)</u>	<u>\$ -</u>	<u>\$2,330,105</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
General government	\$16,438	Sewer	<u>\$117,179</u>
Public safety	46,377		
Recreation	533		
Streets	12,095		
	<u>\$75,443</u>		

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

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term debt were as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due in One Year
<u>Governmental Activities</u>					
Assumed liens	\$ -	\$ 21,961	\$ -	\$ 21,961	\$ -
Police vehicle loan	4,764	-	4,764	-	-
City hall loan	212,413	-	6,541	205,872	5,537
Fire truck loan	20,023	-	10,421	9,602	9,602
Sidewalk projects bond	175,000	-	15,000	160,000	15,000
Bond premium	1,128	-	118	1,010	118
Due to CERS	45,445	-	1,200	44,245	1,200
Compensated absences	3,799	1,399	-	5,198	-
	<u>\$ 462,572</u>	<u>\$ 23,360</u>	<u>\$ 38,044</u>	<u>\$ 447,888</u>	<u>\$ 31,457</u>
<u>Business-Type Activities</u>					
1989 Series A	\$ 183,000	\$ -	\$ 17,000	\$ 166,000	\$ 17,000
1989 Series B	98,000	-	9,000	89,000	9,000
2001 Series C	138,000	-	5,000	133,000	5,500
2018 Series A	688,385	-	11,885	676,500	12,000
2018 Series B	393,922	-	5,922	388,000	6,500
Compensated absences	1,292	6	-	1,298	-
	<u>\$1,502,599</u>	<u>\$ 6</u>	<u>\$ 48,807</u>	<u>\$1,453,798</u>	<u>\$ 50,000</u>

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Annual debt service requirements to maturity are as follows:

	Governmental Activities		
	Principal	Interest	Total
2022	\$ 31,457	\$ 12,121	\$ 43,578
2023	22,190	11,016	33,206
2024	22,424	10,444	32,868
2025	22,667	9,864	32,531
2026	27,919	9,274	37,193
2027 – 2031	123,584	35,438	159,022
2032 – 2036	51,174	22,828	74,002
2037 – 2041	60,911	13,091	74,002
2042 – 2046	44,159	2,323	46,482
2047 – 2051	6,000	-	6,000
2052 – 2056	6,000	-	6,000
2057 – 2058	2,244	-	2,244
	<u>\$ 420,729</u>	<u>\$ 126,399</u>	<u>\$ 547,128</u>

	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 50,000	\$ 41,480	\$ 91,480
2023	52,500	39,538	92,038
2024	54,000	37,486	91,486
2025	57,000	35,362	92,362
2026	58,500	33,116	91,616
2027 – 2031	252,500	130,311	382,811
2032 – 2036	165,000	98,198	263,198
2037 – 2041	153,000	75,254	228,254
2042 – 2046	146,500	59,119	205,619
2047 – 2051	163,500	42,749	206,249
2052 – 2056	181,000	24,514	205,514
2057 – 2058	119,000	5,157	124,157
	<u>\$1,452,500</u>	<u>\$ 622,284</u>	<u>\$2,074,784</u>

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

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

During the June 30, 2017 fiscal year, the City incurred a note payable with Bank of Clarkson. The loan proceeds were utilized by the General Fund to purchase a police sport utility vehicle. The note was paid in full as of June 2021.

The City received loan proceeds, during the June 30, 2015 fiscal year, from Bank of Clarkson to aid in the construction of a new city hall building. The note is payable in monthly installments of \$1,333, bears interest at 3.92%, and matures March 9, 2045.

During the June 30, 2018 fiscal year, the City received loan proceeds from Bank of Clarkson to purchase a fire truck. The note is payable in annual installments of \$11,407, bears interest at a rate of 4.5%, and matures in October 2022. The debt is secured by the fire truck. In the event of default, all principal and accrued interest will be due and payable immediately.

The City was approved for Transportation Alternative Program (TAP) Awards during the June 30, 2020 fiscal year in the amounts of \$275,066 and \$403,834 to aid in the construction of city sidewalks. Although the TAP Awards are to provide 80% of total project expenses, the City entered into a bonded lease agreement with the Kentucky Bond Corporation to provide the remaining 20% of funds to be utilized for project expenses. The City received \$175,000 in bond proceeds from the Kentucky Bond Corporation on November 6, 2019, with an interest rate of 2.42%, and matures in 2030. Principal payments are due annually and interest payments are due semi-annually.

The City issued and sold its Sewer System Revenue Bonds, 1989 Series A and B, to United States Department of Agriculture Rural Development (USDA RD) in 1990 to aid in financing the construction, acquisition and installation of the municipal sanitary sewer system. The 1989 Series A and B Revenue Bonds bear an interest rate of 5.0%, mature in 2029, and had a balance outstanding of \$166,000 and \$89,000 at June 30, 2021, respectively. Each Revenue Bond has principal payments due annually and interest payments due semi-annually. Upon default of payment of any principal or interest payment, USDA RD has the option to enforce all rights and remedies provided by law.

In August 1999, the City issued and sold its Sewer System Revenue Bonds, Series of 1999 to the USDA RD to aid in financing the construction, acquisition and installation of major improvements and additions to the sewer system. The Revenue Bond has an interest rate of 4.5%, matures in 2039, and has principal payments due annually and interest payments due semi-annually. Balance outstanding at June 30, 2021 was \$133,000. In the event of default, any court having jurisdiction may appoint a receiver to administer the System on behalf of the City to charge and collect rates sufficient to provide for the payment of any bonds outstanding.

During the fiscal year end June 30, 2019, the City issued \$1,100,000 in Revenue Bonds to USDA RD for the Sewer Fund project. There were two issues each maturing in 2059. One issue, 2018 Series A, in the amount of \$700,000 carries an interest rate of 2.000%. The second issue, 2018 Series B, in the amount of \$400,000 carries an interest rate of 2.375%.

In 2015, the City hired a police officer who had been previously employed by another agency. It was the City's erroneous understanding that limited hours exempted the employee from subjectivity to the County Employees Retirement System. When it was discovered during the year ended June 30, 2019 that the employee was indeed subject, the City was \$46,845 in arrears. In February 2019, an agreement was reached with the retirement system whereby the City will pay \$100 per month with no interest until the liability is extinguished.

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

NOTE 9 - LONG-TERM OBLIGATIONS (CONCLUDED)

Bond covenants stipulate that the annual modified net revenue be at least 1.25 times the maximum annual debt service requirement for all bonds outstanding. Bond covenants stipulate that a sinking fund, reserve fund, and depreciation fund are to receive monthly deposits from the revenue fund until required limits are reached. The City believes it is in compliance with all significant covenants and restrictions, including federal arbitrage regulations.

All bond and interest payments are paid from these restricted funds. Receipts for services are deposited into this Revenue Fund and disbursed as follows:

- a. Bond and Interest Sinking Fund – There is to be a monthly deposit of the amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due. These funds are used to pay bond principal and interest obligations on an annual and semi-annual basis.
- b. Depreciation Fund – This fund shall receive a monthly deposit of \$426 from the Revenue Fund after the above bond principal and interest transfers have been made. The deposits will continue as long as any bonds remain outstanding and unpaid and the balance in the depreciation account is less than \$51,120. At June 30, 2021 the total balance of the Depreciation Fund was \$47,401. Funds have been withdrawn from the fund to maintain the sewer system.

In addition, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the sewer system, and the cash proceeds of any surplus, worn out or obsolescent properties of the sewer system, if the same is sold on order of the City. Any fees that may be levied and collected by the City for the privilege of connecting to the System (excluding initial deposits received in aid of the Project, if any) shall be paid, as received, into the Depreciation Fund.

The Depreciation Fund shall be available and may be withdrawn and used by the City, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the annual budget or current expenses, and the cost of constructing additions and improvements to the sewer system which will either enhance its revenue-producing capacity or provide a high degree of service. This fund shall be available for transfer to the Bond and Interest Sinking Fund in order to avoid default in connection with any bonds payable from the Sinking Fund.

- c. Operation and Maintenance Fund – This fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfers have been made. This fund is used to pay operating expenditures.

Conduit Debt

On June 24, 2016, the City issued Series 2017 Kentucky Industrial Building Revenue Bonds (\$6,600,000) to provide financial assistance to the private company for the acquisition and construction of facilities deemed to be in the public interest. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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

NOTE 10 - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time and eligible part-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 Pensions Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions 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 Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.kyret.ky.gov.

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

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

CERS Hazardous

<u>Tier 1</u>	Participation date:	Before September 1, 2008
Defined	Unreduced retirement:	20 years service or 55 years old with 5 years service
Benefit	Reduced retirement:	At least 15 years service and 50 years old
<u>Tier 2</u>	Participation date:	September 1, 2008 – December 31, 2013
Defined	Unreduced retirement:	25 years service or 60 years old with 5 years service
Benefit	Reduced retirement:	At least 15 years service and 50 years old
<u>Tier 3</u>	Participation date:	After December 31, 2013
Cash	Unreduced retirement:	25 years service or 60 years old with 5 years service
Balance	Reduced retirement:	Not available

Contributions – Employees in all tiers contributed 5% of their salaries for non-hazardous and 8% for hazardous, and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 24.06% (19.30% for pension and 4.76% for health insurance) and 39.58% (30.06% pension; 9.52% insurance) of members' non-hazardous and hazardous compensation, respectively, for the year ended June 30, 2021.

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

NOTE 10 - PENSION PLANS (CONTINUED)

Medical Insurance Plan

Plan Description – 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 Kentucky Public Pensions Authority 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, 2021, the City reported a liability of \$646,341 for its proportionate share of the net pension liability for CERS, which included \$460,042 for non-hazardous and \$186,299 for hazardous. The total pension liability, net pension liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date of June 30, 2019 to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net 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, 2019 through June 30, 2020. At June 30, 2020, the City's proportion was 0.005998% non-hazardous and 0.006179% hazardous, an increase of 0.001082% and 0.001525%, respectively, over the prior year.

For the year ended June 30, 2021, the City recognized total pension expense of \$139,669 for CERS, which included \$109,576 for non-hazardous and \$30,093 for hazardous.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,250	\$ -
Changes of assumptions	25,029	-
Net difference between projected and actual earnings on pension plan investments	9,727	-
Changes in proportion and differences between City contributions and proportionate share of contributions	82,961	23,948
City contributions subsequent to the measurement date	40,586	-
	<u>\$175,553</u>	<u>\$23,948</u>

\$40,586 (\$29,184 for non-hazardous and \$11,402 for hazardous) reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

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

NOTE 10 - PENSION PLANS (CONTINUED)

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

Year Ending June 30,	Non-Hazardous	Hazardous
2022	\$57,399	\$6,380
2023	41,647	(1,030)
2024	8,646	(5,463)
2025	4,624	(1,184)
Thereafter	-	-

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 3.55% to 19.05%, varies by service for CERS 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.

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
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%

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

NOTE 10 - PENSION PLANS (CONCLUDED)

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:

	1% Decrease 5.25%	Current Discount 6.25%	1% Increase 7.25%
Non-hazardous	\$567,332	\$460,042	\$371,202
Hazardous	\$230,239	\$186,299	\$150,432

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

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$5,487 for the outstanding amount of contributions to the pension plan required at the year then ended.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

County Employees Retirement System Insurance Fund

General Information about the County Employees Retirement System Insurance Fund

Plan Description – County Employees Retirement System (CERS) Non-hazardous and Hazardous Insurance Funds are cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and 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 Kentucky Public Pensions Authority 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.

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.

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 10) contribute an additional 1% of their salaries for health insurance. This amount is credited to the Insurance Fund and is non-refundable to the member. Participating employers contributed 24.06% (19.30% for pension and 4.76% for health insurance) and 39.58% (30.06% pension; 9.52% insurance) of members' non-hazardous and hazardous compensation, respectively, for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$201,867 for its proportionate share of the net OPEB liability for CERS, which included \$144,785 for non-hazardous and \$57,082 for hazardous. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date of June 30, 2019 to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2019 through June 30, 2020. At June 30, 2020, the City's proportion was 0.005996% non-hazardous and 0.006177% hazardous, an increase of 0.001172% and 0.01146%, respectively, over the prior year.

For the year ended June 30, 2021, the City recognized total OPEB expense of \$35,086 for CERS, which included \$25,720 for non-hazardous and \$9,366 for hazardous. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,150	\$29,909
Changes of assumptions	34,496	206
Net difference between projected and actual earnings on OPEB plan investments	7,347	-
Changes in proportion and differences between City contributions and proportionate share of contributions	32,460	11,704
City contributions subsequent to the measurement date	14,329	-
	\$114,782	\$41,819

\$14,329 (\$10,548 for non-hazardous and \$3,781 for hazardous) reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date, which includes the implicit study subsidy reported of \$3,584 (\$3,350 for non-hazardous and \$234 for hazardous), 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:

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
2022	\$14,047	\$2,115
2023	15,472	706
2024	12,731	1,111
2025	12,748	62
2026	503	(862)
Thereafter	-	-

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

Valuation Date:	June 30, 2019
Inflation Rate:	2.30%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return:	6.25%
Healthcare Trend Rates (under age 65):	Initial trend starting at 6.40% at January 16, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Healthcare Trend Rates (age 65 and over):	Initial trend starting at 2.90% at January 16, 2023 and increasing to 6.30% in 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KPPA, are summarized in the table in Note 10 (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous and 5.30% for hazardous. 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-five year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 Year Municipal GO AA Index” as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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 and 5.30% for hazardous, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 4.34%	Current Discount 5.34%	1% Increase 6.34%
Non-hazardous	\$186,006	\$144,785	\$110,929
	4.30%	5.30%	6.30%
Hazardous	\$77,487	\$57,082	\$40,639

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

	1% Decrease	Current Rate	1% Increase
Non-hazardous	\$112,100	\$144,785	\$184,449
Hazardous	\$40,792	\$57,082	\$77,109

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

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$62 for the outstanding amount of contributions to the OPEB plan required at the year then ended.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers’ compensation claims. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool to insure against workers’ compensation claims.

The City purchases commercial insurance for various risks of loss due to torts, thefts, property damage, errors and omissions, injuries to employees and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

The City is party to pending civil suits that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Federal grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 15 - SUBSEQUENT EVENTS

City of Clarkson, Kentucky's management has evaluated and considered the need to recognize or disclose subsequent events through March 16, 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, 2021, have not been evaluated by management.

Required Supplementary Information

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

	<u>Budgeted Amounts</u>			Variance from Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property taxes	\$ 68,000	\$ 68,000	\$ 63,571	\$ (4,429)
Utility taxes	40,000	40,000	40,287	287
Occupational taxes	184,000	184,000	191,802	7,802
Insurance premium tax	84,000	84,000	90,422	6,422
Motor vehicle tax	5,500	5,500	4,422	(1,078)
Telecommunications tax	6,500	6,500	6,026	(474)
Licenses and permits	3,500	3,500	5,721	2,221
Intergovernmental revenues	32,000	32,000	115,468	83,468
Donations	-	-	2,225	2,225
Charges for services	207,850	207,850	243,003	35,153
Interest income	-	-	51	51
Other revenues	2,500	2,500	807	(1,693)
Total Revenues	<u>633,850</u>	<u>633,850</u>	<u>763,805</u>	<u>129,955</u>
Expenditures				
Current:				
General government	341,750	341,750	272,021	69,729
Parks and recreation	37,000	37,000	46,683	(9,683)
Public safety				
Police	135,386	135,386	113,364	22,022
Fire	73,907	73,907	50,801	23,106
Sanitation	97,500	97,500	103,832	(6,332)
Capital outlay	1,500	1,500	94,185	(92,685)
Debt service:				
Principal	-	-	1,200	(1,200)
Total Expenditures	<u>687,043</u>	<u>687,043</u>	<u>682,086</u>	<u>4,957</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(53,193)</u>	<u>(53,193)</u>	<u>81,719</u>	<u>134,912</u>
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	-	-	17,545	17,545
Assumption of liens	-	-	21,961	21,961
Operating transfers in	63,000	63,000	48,626	(14,374)
Operating transfers out	(30,000)	(30,000)	(88,402)	(58,402)
Total Other Financing Sources (Uses)	<u>33,000</u>	<u>33,000</u>	<u>(270)</u>	<u>(33,270)</u>
Net Change in Fund Balance	<u>(20,193)</u>	<u>(20,193)</u>	<u>81,449</u>	<u>101,642</u>
Fund Balance - July 1, 2020	<u>-</u>	<u>-</u>	<u>125,064</u>	<u>125,064</u>
Fund Balance (Deficit) - June 30, 2021	<u>\$ (20,193)</u>	<u>\$ (20,193)</u>	<u>\$ 206,513</u>	<u>\$ 226,706</u>

See accompanying notes to required supplementary information.

**CITY OF CLARKSON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance from Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 20,000	\$ 20,000	\$ 22,322	\$ 2,322
Interest income	-	-	16	16
Total Revenues	20,000	20,000	22,338	2,338
Expenditures				
Current:				
Streets	31,594	31,594	9,531	22,063
Capital outlay	-	-	29,464	(29,464)
Debt service:				
Principal	-	-	15,000	(15,000)
Interest	-	-	3,963	(3,963)
Total Expenditures	31,594	31,594	57,958	(26,364)
Net Change in Fund Balance	(11,594)	(11,594)	(35,620)	(24,026)
Fund Balance - July 1, 2020	-	-	200,907	200,907
Fund Balance (Deficit) - June 30, 2021	\$ (11,594)	\$ (11,594)	\$ 165,287	\$ 176,881

See accompanying notes to required supplementary information.

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
CERS NET PENSION LIABILITY - NONHAZARDOUS**

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.005998%	0.004918%	0.003770%	0.004048%	0.003690%	0.003771%	0.003935%
City's proportionate share of the net pension liability	\$ 460,042	\$ 345,885	\$ 229,605	\$ 236,942	\$ 181,699	\$ 162,133	\$ 127,633
City's covered payroll	\$ 154,535	\$ 87,824	\$ 93,446	\$ 96,817	\$ 99,251	\$ 96,290	\$ 95,869
City's proportionate share of the net pension liability as a percentage of its covered payroll	297.69%	393.84%	245.71%	244.73%	183.07%	168.38%	133.13%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.54%	53.54%	53.30%	55.50%	59.97%	66.80%

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. Fiscal year 2015 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
CERS NET PENSION LIABILITY - HAZARDOUS**

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.006179%	0.007706%	0.006532%	0.005632%	0.005997%	0.004401%	0.589400%
City's proportionate share of the net pension liability	\$ 186,299	\$ 212,862	\$ 157,974	\$ 145,736	\$ 102,912	\$ 67,553	\$ 70,835
City's covered payroll	\$ 36,100	\$ 70,607	\$ 36,378	\$ 35,758	\$ 34,269	\$ 32,113	\$ 26,633
City's proportionate share of the net pension liability as a percentage of its covered payroll	516.06%	301.47%	434.26%	407.56%	300.31%	210.36%	265.97%
Plan fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

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. Fiscal year 2015 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS TO CERS PENSION - NONHAZARDOUS
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 29,184	\$ 29,651	\$ 14,245	\$ 13,531	\$ 13,506	\$ 12,327	\$ 12,277
Contributions in relation to the contractually required contribution	<u>(29,184)</u>	<u>(29,651)</u>	<u>(14,245)</u>	<u>(13,531)</u>	<u>(13,506)</u>	<u>(12,327)</u>	<u>(12,277)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 151,214	\$ 154,535	\$ 87,824	\$ 93,446	\$ 96,817	\$ 99,251	\$ 96,290
Contributions as a percentage of covered payroll	19.30%	19.19%	16.22%	14.48%	13.95%	12.42%	12.75%

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. Fiscal year 2015 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS TO CERS PENSION - HAZARDOUS
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,402	\$ 10,898	\$ 17,553	\$ 8,076	\$ 7,763	\$ 6,943	\$ 6,657
Contributions in relation to the contractually required contribution	<u>(11,402)</u>	<u>(10,898)</u>	<u>(17,553)</u>	<u>(8,076)</u>	<u>(7,763)</u>	<u>(6,943)</u>	<u>(6,657)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 37,770	\$ 36,100	\$ 70,607	\$ 36,378	\$ 35,758	\$ 34,269	\$ 32,113
Contributions as a percentage of covered payroll	30.19%	30.19%	24.86%	22.20%	21.71%	20.26%	20.73%

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. Fiscal year 2015 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - NONHAZARDOUS**

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability	0.005996%	0.004918%	0.003770%	0.004048%
City's proportionate share of the net OPEB liability	\$ 144,785	\$ 82,685	\$ 66,936	\$ 81,379
City's covered payroll	\$ 154,535	\$ 87,900	\$ 93,446	\$ 96,817
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.69%	94.07%	71.63%	84.05%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%

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. Fiscal year 2018 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - HAZARDOUS**

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability	0.006177%	0.007704%	0.006532%	0.006532%
City's proportionate share of the net OPEB liability	\$ 57,082	\$ 56,999	\$ 46,570	\$ 53,848
City's covered payroll	\$ 36,100	\$ 70,607	\$ 36,385	\$ 35,758
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	158.12%	80.73%	127.99%	150.59%
Plan fiduciary net position as a percentage of the total OPEB liability	58.84%	58.99%	64.24%	58.99%

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. Fiscal year 2018 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY OPEB CONTRIBUTIONS - NONHAZARDOUS

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 7,198	\$ 7,313	\$ 4,623	\$ 4,392
Contributions in relation to the contractually required contribution	<u>(7,198)</u>	<u>(7,313)</u>	<u>(4,623)</u>	<u>(4,392)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of contractually required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 151,214	\$ 154,535	\$ 87,900	\$ 93,446
Contributions as a percentage of covered payroll	4.76%	4.73%	5.26%	4.70%

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 CLARKSON, KENTUCKY
SCHEDULE OF CITY OPEB CONTRIBUTIONS - HAZARDOUS**

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 3,547	\$ 3,390	\$ 7,400	\$ 3,402
Contributions in relation to the contractually required contribution	<u>(3,547)</u>	<u>(3,390)</u>	<u>(7,400)</u>	<u>(3,402)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of contractually required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 37,770	\$ 36,100	\$ 70,607	\$ 36,385
Contributions as a percentage of covered payroll	9.39%	9.39%	10.48%	9.35%

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 CLARKSON, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - BUDGET

The City prepares its financial statements and its budgets using accounting principles generally accepted in the United States of America (GAAP). The budget and all transactions are presented in the Budgetary Comparison Schedules to provide meaningful comparisons of actual results with the budgets.

For the year ended June 30, 2021, the City incurred line-item expenditures in excess of budget.

NOTE 2 - PENSIONS

Changes in Benefit Terms

There were no changes in benefit terms for fiscal years 2015 through 2021, except for the following:

- During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability for CERS hazardous as of June 30, 2018 was determined using these updated benefit provisions.
- 2021 - For the measurement date of June 30, 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.

Changes in Assumptions

2021: For the measurement date of June 30, 2020, there was no change.

2020: For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.

2019: For the measurement date of June 30, 2018, there was no change.

2018: For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.

2017: For the measurement date of June 30, 2016, there was no change.

2016: For the measurement date of June 30, 2015, the investment rate of return was changed from 7.75% to 7.50%. The projected salary increase was changed from 4.50% to 4.00%. The inflation rate was changed from 3.50% to 3.25%. The assumed rate of wage inflation was changed from 1.00% to 0.75%. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

2015: For the measurement date of June 30, 2014, there was no change.

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

NOTE 3 - OPEB

Changes in Benefit Terms

There were no changes in benefit terms for fiscal years 2018 through 2021.

Changes in Assumptions

2021: For the measurement date of June 30, 2020, the healthcare initial trend rates for those under age 65 changed from 7.00% to 6.40%, and the healthcare initial trend rates for those age 65 and over changed from 5.00% to 2.90%.

2020: For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.

2019: For the measurement date of June 30, 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%.

2018: For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.

Other Supplementary Information

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

General Government

Advertising	\$ 1,228	
Dues and subscriptions	3,421	
Health and life insurance	54,089	
Insurance	15,635	
Miscellaneous operating expenses	3,928	
Office supplies and postage	7,145	
Contract services	4,500	
Payroll tax expense	16,106	
Professional services	3,213	
Repairs and maintenance	6,345	
Salaries and benefits	116,415	
Supplies	1,239	
Telephone	5,296	
Travel	360	
Utilities	33,101	
	<hr/>	
Total General Government		<u><u>\$ 272,021</u></u>

Parks and Recreation

Advertising	\$ 1,952	
Insurance	6,468	
Miscellaneous	2,827	
Professional services	2,213	
Repairs and maintenance	6,153	
Salaries and benefits	10,244	
Supplies	14,343	
Utilities	2,483	
	<hr/>	
Total Parks and Recreation		<u><u>\$ 46,683</u></u>

Public Safety

Police

Fuel	\$ 3,259	
Insurance	12,381	
Other	5,083	
Salaries and benefits	92,641	
	<hr/>	
Total Police		113,364

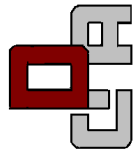
Fire

Fuel	\$ 2,904	
Insurance	22,344	
Other	6,109	
Repairs and maintenance	1,692	
Supplies	7,971	
Training	1,998	
Utilities	7,783	
	<hr/>	
Total Fire		50,801
Total Public Safety		<u><u>\$ 164,165</u></u>

Sanitation

Licenses and permits	58,948	
Fuel	5,452	
Repairs and maintenance	3,642	
Salaries and benefits	35,790	
	<hr/>	
		<u><u>\$ 103,832</u></u>

**Independent Auditor's Report Required by
*Government Auditing Standards***



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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 Members of
the City Commission
City of Clarkson, 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 Clarkson, Kentucky (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001 to 2021-004, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Clarkston, Kentucky's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

March 16, 2023

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 2021-001 (Repeat)

<i>Condition:</i>	The City has a limited system of internal control over financial reporting that would allow it to prevent, detect, and correct a significant misstatement in its financial statements. During our audit, we noted material adjustments needed in order for the financial statements to be in accordance with accounting principles generally accepted in the United States of America.
<i>Criteria:</i>	Internal controls should be in place in order for the City to be able to prevent, detect, and correct potential misstatements in its financial statements, as prescribed by Statement of Auditing Standards No. 115, AU Section 325.05. A system of internal control over financial reporting does not consist solely of controls over the proper recording of accounting transactions. Rather, it includes controls over financial statement preparation, including the footnote disclosures.
<i>Cause:</i>	While the City now utilizes the service of an outside accounting firm, it does not always communicate significant events not readily apparent in the accounting records.
<i>Effect:</i>	There were material transactions omitted from the City's financial statements which would carry over to future years if not corrected.
<i>Recommendation:</i>	The City should make a greater effort to advise its accountants of substantial occurrences which might not be included in its accounting records.
<i>Management Response:</i>	<i>The City has does have some limited control over financial reporting in some areas, however, this is due to the small amount of office staff we have. We do not have the financial resources to hire additional office personnel to totally rectify the situation. However, we have made some progress with the situation, such as the hiring of a new part-time office assistant, contracting with a local CPA firm to handle the processing of monthly and quarterly payroll reporting, as well the yearly W-2's for the City's employees. The CPA also compiles the City's UFIR and annual financial statement. Additionally, the City Clerk-Treasurer now also stays in regular contact with the CPAs regarding major accounting changes throughout the year including, but not limited to, setting up new payroll files, properly coding capital expenditures and other large expenditures in QB, and any other financial issues and question that may arise.</i>

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 2021-002 (Repeat)

<i>Condition:</i>	During our audit, we noted that reconciliations are not being prepared between the occupational tax, insurance premium tax, sewer and garbage revenue billing software (United Systems) and the general ledger.
<i>Criteria:</i>	The City's management is responsible for establishing and maintaining internal controls including adequate reconciliations of financial systems to the general ledger.
<i>Cause:</i>	The City does not reconcile the accounting and billing software (United Systems) to the general ledger for the following significant areas: occupational tax, insurance premium tax, garbage billing and sewer billing.
<i>Effect:</i>	Failure to reconcile the accounting and billing software (United Systems) to the general ledger could result in errors or missing funds going undetected.
<i>Recommendation:</i>	We recommend that the City reconcile the accounting and billing software (United Systems) to the general ledger.
<i>Management Response:</i>	<i>This is something that the City Clerk-Treasurer is trying to implement. A new part-time office assistant has now been trained and we plan to have this process implemented in time for the upcoming fiscal year in July. Time constraints and a limited office staff due to financial restraints have caused delays in this process. However, this process will begin with the new fiscal year on July 1.</i>

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 2021-003 (Repeat)

<i>Condition:</i>	As part of the audit we noted that cash receipts for the parks department are received by one person. All park ticket sales and concession sales are received and accounted for by one person. There are no policies or procedures in place to ensure accurate and complete accounting for ticket and concession sales.
<i>Criteria:</i>	Internal controls are designed to safeguard assets and help or detect losses from errors, omissions, or fraud. Implementing and adhering to prescribed policies and procedures are critical in meeting this objective.
<i>Cause:</i>	The City has not implemented policies or procedures over cash receipts for the park's operations.
<i>Effect:</i>	Failure to implement and follow proper procedures over cash receipts could result in undetected errors, omissions, or the loss of funds.
<i>Recommendation:</i>	We recommend the City adopt policies over cash receipts for gate ticket sales and concession sales. At a minimum, the City should require the use of prenumbered tickets to be used for all gate sales and the tickets should be reconciled to the daily cash total. Also, the City should use reconciliation sheets for concession inventory purchased and sold at events daily. The form should reconcile the amount of beginning "change" currency, concession purchases, sales, and ending currency and inventory totals. The form, along with the ticket sales reconciliation, should be used to prepare the deposit totals that the park employee submits to the Clerk to be included in the daily deposit ticket.
<i>Management Response:</i>	<i>For the 2023 ball season, the City will not be collecting gate fees. The City will be off-setting the loss of the revenue with an increase in the ball registration fees. So there will be free admission to the games. So that will solve the gate fee issues. As for concession sales, the City Park Manager will collect all the receipts each day at the City Park during ball season and count them and give them to the City Clerk-Treasurer with signed notes stating the deposit totals, dates, etc. The City Clerk-Treasurer and his office assistant will then recount the money to make sure his totals are correct and make the deposit and attach his signed note on the back of the page in the deposit book. This information will be shared with the City Commissioner who is over the City Park. This Commissioner is taking an active role in the oversight and operation of the City Park. In addition, the City Commission has established a new City Park Fund-Raising Committee that will help oversee its operation. The Committee is made up of the City Commissioner over the Park, the Mayor, the City Clerk-Treasurer, the Park Manager, and several community volunteers. They will report to the City Commission. The City Clerk-Treasurer will discuss the reconciliation sheets for the concession inventory with the Commissioner, Mayor, and Park Manager, and stress the importance of implementing this policy for accounting purposes.</i>

**CITY OF CLARKSON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 2021-004 (Repeat)

<i>Condition:</i>	During our audit, we noted that there was not adequate segregation of duties over receipts, disbursements, and reconciliations at City Hall. The Clerk/Treasurer accepts cash receipts and also records the amounts into the accounting system. The Clerk/Treasurer also enters data into the accounting system, has check signing authority, and performs bank reconciliations without review.
<i>Criteria:</i>	Internal controls are designed to safeguard assets and help or detect losses from errors, omissions, or fraud. A fundamental concept in a good system of internal control is the segregation of duties.
<i>Cause:</i>	Limited resources and staff for the City lead to one individual performing incompatible duties related to cash receipts, disbursements, and reconciliations.
<i>Effect:</i>	Improper segregation of duties related to cash receipts, disbursements, and reconciliations could result in undetected errors or missing funds.
<i>Recommendation:</i>	<p>Although the size of the City's accounting and administrative staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:</p> <p>Mail should be opened by an employee not responsible for accounting, such as the receptionist or the Mayor. Cash receipts could be recorded in a cash receipts journal and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advices, could be forwarded to the Clerk/Treasurer for postings to the general ledger and detail customer accounts. Cash receipts should be deposited intact daily. Holding receipts for a weekly deposit exposes the City to loss. Bank statements, canceled checks, and appropriate advices should be received by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly. Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable. Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with City policy for all disbursements. Journal entries should be approved by an employee other than the one who prepared the entry. Bank reconciliations should be reviewed by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of office employees, we recommend that test reconciliations be made from time to time by one of the Commissioners. In addition, he or she should review, approve, and sign the bank reconciliations to document the approval.</p>
<i>Management Response:</i>	<i>This remains an ongoing issue for the City due to lack of office staff and financial resources. Most days there is only one person in the office, as the Mayor, City Commissioners, and other City employees are not always readily available to be at City Hall on a daily basis to be there to open the mail and make the deposits for the City Clerk-Treasurer. It is also difficult to hold all of mail, deposits, etc. for the one day a week when the Clerk's part-time assistant is in the office. The City Clerk-Treasurer will speak with the City Commissioners to ask if one of them can stop in a couple of days a week to review the bank reconciliations and deposit books.</i>

Management Letter

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MANAGEMENT LETTER

Honorable Mayor and Members of
the City Commission
City of Clarkson, Kentucky

In planning and performing our audit of the basic financial statements of the City of Clarkson, Kentucky (City), as of and for the year ended June 30, 2021, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal control and operating efficiency. The paragraphs below summarize our comments and suggestions regarding the matters. A separate report dated March 16, 2023, contains our report on the City of Clarkson's internal control. This letter does not affect our report dated March 16, 2023, on the basic financial statements of the City of Clarkson.

We noted some issues during the testing of sixty disbursements. Eight disbursements were not supported by purchase orders, eighteen invoices appeared to lack proper approval, twenty-eight invoices were not cancelled, and seven disbursements were not supported by receiving reports. Two reimbursements to employees included sales tax. Two payments were made from statements with no way to determine the items received or the presence of sales tax. The person receiving the goods or services should sign the invoice to indicate receipt, and every effort should be made to obtain a purchase order from an authorized individual prior to the purchase. Payments should only be made from supporting invoices that are properly approved, and invoices should be cancelled to prevent duplicate payment.

Christmas bonuses were issued outside of the payroll system. Under Kentucky law, all compensation must be based on work performed. There are "workarounds" to this prohibition by the personnel manual specifying the conditions under which extra payments can be made. In any case, all payments to employees should be considered wages and subject to withholding, matching taxes, and retirement as appropriate.

We will be pleased to discuss any of these matters with you and, if desired, assist you in implementing any of these suggestions. This report is intended for the information of the City Commission and management and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

March 16, 2023