

CITY OF GRAND RIVERS, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

CITY OF GRAND RIVERS, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor Tom Moodie
and Members of the City Council
City of Grand Rivers, Kentucky
Grand Rivers, 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 Grand Rivers, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 36-37 be presented to supplement the basic financial statements. Such information, although not 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.

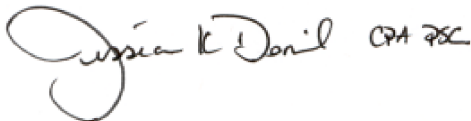
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Rivers, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 combining and individual nonmajor fund financial statements are 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 a report dated May 27, 2022 on our consideration of the City of Grand Rivers, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rivers, Kentucky's internal control over financial reporting and compliance.



Eddyville, Kentucky
May 27, 2022

**CITY OF GRAND RIVERS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

The City of Grand Rivers, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's primary governmental financial activities for the year ended June 30, 2021. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

The City reports its annual financial statements in a required model format issued by the Government Accounting Standards Board.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year ended June 30, 2021.

- The total assets of the City exceed its total liabilities and deferred inflows of resources at the close of the 2021 fiscal year by \$8,194,176 (Net Position). Of this amount, \$111,905 represents the unrestricted net position.
- The City's total net position decreased by \$200,829 during the year. Governmental activities decreased the City's net position by \$31,046 and business-type activities decreased the City's net position by \$169,783.
- The City's governmental fund balance, a measure of current financial resources, increased in the governmental funds by \$79,182 to a June 30, 2021, fund balance of \$133,234. Of that balance \$22,737 is restricted, \$149,484 is assigned, and \$1,972 is non-spendable, leaving a negative \$40,959 unrestricted balance. Unrestricted fund balance is available to the City for general operations.
- The Statement of Revenues, Expenditures and Changes in Fund Balance shows that the Governmental Fund revenues exceeded expenditures by \$79,182.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial report includes the activities of the City of Grand Rivers, Kentucky. The City's basic financial statements are comprised of three components: 1) Government-wide statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The **government-wide** financial statements are designed to provide readers with a broad overview of the City of Grand Rivers' finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental fund, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, cemetery, and culture and recreation. The business-type activities of the City include water, sewer, and internet. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following categories - **governmental** funds and **proprietary** funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City of Grand Rivers maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Tourism Fund which are considered to be major funds. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 11-14.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Grand Rivers maintains the following type of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and internet operations.

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Internet Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 15-17 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-35 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules as required. Required supplementary information can be found on pages 36 and 37 of this report. The City also reports supplemental information for combining non-major funds which can be found on pages 38 and 39 of this report.

OVERVIEW OF THE CITY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

The government-wide financial statements report that during the year ending June 30, 2021, the City received \$24,607 in operating and capital grants and contributions. Revenue from taxes and charges for services were \$522,492 and \$1,335,343 respectively. Expenses directly related to programs offered by the City were \$2,221,469. The Statement of Activities reflects the current year decrease of \$200,829.

- The fund financial statements report General fund ordinary revenues of \$435,983. Expenditures for the year ending June 30, 2021 total \$478,931.
- Tourism revenue totaled \$242,607. Expenditures from the tourism fund were \$153,241.
- The other governmental funds generated ordinary revenues of \$79,361, while expenditures total \$24,648.

The following is a recap of financial activity for the year:

CITY OF GRAND RIVERS, KENTUCKY'S NET POSITION

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 703,753	\$ 740,958
Noncurrent assets, net	<u>12,821,289</u>	<u>13,373,197</u>
Total Assets	<u>13,525,042</u>	<u>14,114,155</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,835,533	5,044,252
Other liabilities	<u>479,372</u>	<u>662,725</u>
Total Liabilities	<u>5,314,905</u>	<u>5,706,977</u>
Deferred inflows of resources	<u>15,961</u>	<u>12,173</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,330,866</u>	<u>5,719,150</u>
Net Position		
Invested in capital assets net of related debt	7,776,457	8,109,448
Restricted	305,814	345,561
Unrestricted	<u>111,905</u>	<u>(60,004)</u>
Total Net Position	<u>\$ 8,194,176</u>	<u>\$ 8,395,005</u>

**CITY OF GRAND RIVERS, KENTUCKY
CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 1,335,343	\$ 1,121,481
Grants and contributions	24,607	178,753
General revenues		
Taxes and regulatory fees	522,492	428,717
Other	109,477	128,534
Interest income	273	1,591
Capital contributions	<u>28,448</u>	<u>1,499</u>
Total revenues	<u>2,020,640</u>	<u>1,860,575</u>
Expenses		
General government	342,491	278,913
Culture and recreation	275,254	275,393
Public works	123,293	80,480
Cemetery	11,202	8,060
Public safety	4,224	187
Interest expense	12,584	14,985
Business-type activities	<u>1,452,421</u>	<u>1,351,843</u>
Total Expenses	<u>2,221,469</u>	<u>2,009,861</u>
Change in net position	(200,829)	(149,286)
Net position - beginning	<u>8,395,005</u>	<u>8,544,291</u>
Net position - ending	<u>\$ 8,194,176</u>	<u>\$ 8,395,005</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated no increase or decrease in the general fund balance. The budgeted revenues exceeded actual revenue received by \$18,167 in the general fund. Actual expenditures exceeded budgeted expenditures by \$24,781. The budgetary figures and actual amounts are reported in the supplementary information on page 36.

The original and final Tourism Fund budget passed by the council anticipated no increase or decrease in the tourism fund balance. The actual revenue received exceeded budgeted revenue by \$66,657 in the tourism fund. Budgeted expenditures exceeded actual expenditures by \$22,709. The budgetary figures and actual amounts are reported in the supplementary information on page 37.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental activities as of June 30, 2021 was \$2,156,495. The City's investment in capital assets for its business-type activities as of June 30, 2021 was \$10,664,794. This investment includes land, buildings, vehicles and equipment, net of depreciation. The City placed in service various assets during the year totaling \$64,964. Carrying values of the City's capital assets are as follows:

	2021	2020
Governmental activities:		
Capital assets, not being depreciated:		
Land	\$ 265,350	\$ 265,350
Construction in progress	-	19,788
Total capital assets, not being depreciated	265,350	285,138
Capital assets, being depreciated (net):		
Land improvements	1,180,259	1,257,260
Buildings and improvements	585,756	625,499
Infrastructure	87,773	95,478
Furnishings and fixtures	34,649	44,925
Vehicles	2,708	5,208
Total capital assets, being depreciated (net)	1,891,145	2,028,370
Governmental activities capital assets, net	\$ 2,156,495	\$ 2,313,508
 Business-type activities:		
Capital assets, not being depreciated:		
Land	\$ 4,761	\$ 4,761
Total capital assets, not being depreciated	4,761	4,761
Capital assets, being depreciated:		
Buildings and improvements	10,627,692	11,012,882
Machinery and equipment	29,025	32,156
Vehicles	3,316	9,890
Total capital assets, being depreciated	10,660,033	11,054,928
Business-type activities capital assets, net	\$ 10,664,794	\$ 11,059,689

Long-term and other debt

At the end of the current fiscal year, the City had a total outstanding debt for the governmental and business-type activities of \$279,960 and \$4,764,359 respectively. The debt is related to equipment and improvements to existing capital assets.

During the next fiscal year, the general fund amount due is \$34,472 and the remainder is scheduled to be paid out in 2037. Interest expense for 2021 was \$12,584. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$174,314 and the remainder is scheduled to be paid out in 2055. Interest expense paid by the proprietary funds for 2021 was \$107,394.

Additional information on the City's long-term debt can be found in Notes 8 and 9 on pages 30-34 of this report.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the City of Grand Rivers, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Tom Moodie, Mayor, City of Grand Rivers, Kentucky - 122 W Cumberland Ave, Grand Rivers, KY 42045.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<u>Assets</u>			
Current Assets			
Cash equivalents	\$ 134,643	\$ -	\$ 134,643
Accounts receivable (net)			
Fees and services	11,472	124,890	136,362
Taxes	56,379	-	56,379
Regulatory fees	8,952	-	8,952
Unbilled revenue	1,486	20,356	21,842
Other receivables	5,700	-	5,700
Inventory	-	71,010	71,010
Prepaid expenses	1,972	3,119	5,091
Restricted assets			
Cash equivalents	<u>22,737</u>	<u>241,037</u>	<u>263,774</u>
Total Current Assets	<u>243,341</u>	<u>460,412</u>	<u>703,753</u>
Noncurrent Assets			
Land and construction in progress	265,350	4,761	270,111
Depreciable capital assets, net of depreciation	<u>1,891,145</u>	<u>10,660,033</u>	<u>12,551,178</u>
Total Noncurrent Assets	<u>2,156,495</u>	<u>10,664,794</u>	<u>12,821,289</u>
Total Assets	<u>2,399,836</u>	<u>11,125,206</u>	<u>13,525,042</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	89,835	66,986	156,821
Meter deposits payable	-	42,040	42,040
Accrued employee benefits	2,625	11,244	13,869
Accrued payroll	1,297	2,096	3,393
Taxes withheld and accrued	902	3,184	4,086
Accrued interest	669	49,708	50,377
Long-term debt due in one year	<u>34,472</u>	<u>174,314</u>	<u>208,786</u>
Total Current Liabilities	<u>129,800</u>	<u>349,572</u>	<u>479,372</u>
Noncurrent Liabilities			
Long-term debt due after one year	<u>245,488</u>	<u>4,590,045</u>	<u>4,835,533</u>
Total Noncurrent Liabilities	<u>245,488</u>	<u>4,590,045</u>	<u>4,835,533</u>
Total Liabilities	<u>375,288</u>	<u>4,939,617</u>	<u>5,314,905</u>
<u>Deferred Inflows of Resources</u>			
Premium on debt	-	513	513
Property taxes	<u>15,448</u>	<u>-</u>	<u>15,448</u>
Total Deferred Inflows of Resources	<u>15,448</u>	<u>513</u>	<u>15,961</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	1,876,535	5,899,922	7,776,457
Restricted for			
Debt service	22,737	241,037	263,774
Customer deposits	-	42,040	42,040
Unrestricted	<u>109,828</u>	<u>2,077</u>	<u>111,905</u>
Total Net Position	<u>\$ 2,009,100</u>	<u>\$ 6,185,076</u>	<u>\$ 8,194,176</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
<u>Primary Government</u>							
Governmental activities							
General government	\$ 342,491	\$ 101,309	\$ 15,269	\$ -	\$ (225,913)	\$ -	\$ (225,913)
Culture and recreation	275,254	-	1,913	-	(273,341)	-	(273,341)
Public works	123,293	-	7,425	-	(115,868)	-	(115,868)
Cemetery maintenance	11,202	-	-	-	(11,202)	-	(11,202)
Public safety	4,224	-	-	-	(4,224)	-	(4,224)
Interest on long-term debt	12,584	-	-	-	(12,584)	-	(12,584)
Total governmental activities	<u>769,048</u>	<u>101,309</u>	<u>24,607</u>	<u>-</u>	<u>(643,132)</u>	<u>-</u>	<u>(643,132)</u>
Business-type activities							
Water system	664,144	718,671	-	-	-	54,527	54,527
Sewer system	757,826	498,660	-	-	-	(259,166)	(259,166)
Internet	30,451	16,703	-	-	-	(13,748)	(13,748)
Total business-type activities	<u>1,452,421</u>	<u>1,234,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(218,387)</u>	<u>(218,387)</u>
Total Primary Government	<u>\$ 2,221,469</u>	<u>\$ 1,335,343</u>	<u>\$ 24,607</u>	<u>\$ -</u>	<u>(643,132)</u>	<u>(218,387)</u>	<u>(861,519)</u>
<u>General Revenues and Transfers</u>							
Taxes							
Property					221,338	-	221,338
Tourism					210,085	-	210,085
Franchise and other					34,402	-	34,402
Regulatory fees					56,667	-	56,667
Miscellaneous					81,151	-	81,151
Rental income					24,576	-	24,576
Cemetery					3,750	-	3,750
Interest income					66	207	273
Contributed capital					2,000	26,448	28,448
Transfers					(21,949)	21,949	-
Total General Revenues and Transfers					<u>612,086</u>	<u>48,604</u>	<u>660,690</u>
<u>Change in Net Position</u>					<u>(31,046)</u>	<u>(169,783)</u>	<u>(200,829)</u>
<u>Net Position at Beginning of Year</u>					<u>2,040,146</u>	<u>6,354,859</u>	<u>8,395,005</u>
<u>Net Position at End of Year</u>					<u>\$ 2,009,100</u>	<u>\$ 6,185,076</u>	<u>\$ 8,194,176</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Tourism	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash equivalents	\$ 26,706	\$ 107,937	\$ -	\$ 134,643
Accounts receivable				
Taxes	17,432	38,947	-	56,379
Fees and services	11,472	-	-	11,472
Other receivables	2,200	3,500	-	5,700
Regulatory fees	-	-	8,952	8,952
Unbilled revenue	1,486	-	-	1,486
Prepaid expenses	938	1,034	-	1,972
Restricted assets				
Cash equivalents	22,737	-	-	22,737
Total Assets	\$ 82,971	\$ 151,418	\$ 8,952	\$ 243,341
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 82,702	\$ 7,133	\$ -	\$ 89,835
Taxes withheld and accrued	523	379	-	902
Accrued payroll	757	540	-	1,297
Accrued employee benefits	825	1,800	-	2,625
Total Liabilities	84,807	9,852	-	94,659
<u>Deferred Inflows of Resources</u>				
Property taxes	15,448	-	-	15,448
<u>Fund Balances</u>				
Nonspendable				
Prepaid expenses	938	1,034	-	1,972
Restricted for				
Debt service	22,737	-	-	22,737
Assigned for				
Tourism fund	-	140,532	-	140,532
Alcoholic beverage control	-	-	8,952	8,952
Unassigned (deficit)	(40,959)	-	-	(40,959)
Total Fund Balances (deficit)	(17,284)	141,566	8,952	133,234
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 82,971	\$ 151,418	\$ 8,952	\$ 243,341

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2021

Fund Balances - Total Governmental Funds \$ 133,234

Amounts reported for governmental activities in the statement of net position are different because of the following reasons.

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 4,372,931	
Less accumulated depreciation	<u>(2,216,436)</u>	2,156,495

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Accrued interest payable	(669)	
Debt due within one year	(34,472)	
Debt due after one year	<u>(245,488)</u>	<u>(280,629)</u>

Net Position of Governmental Activities **\$ 2,009,100**

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

	<u>General</u>	<u>Tourism</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes				
Property	\$ 221,338	\$ -	\$ -	\$ 221,338
Tourism	-	210,085	-	210,085
Franchise and other	34,402	-	-	34,402
Regulatory fees	-	-	56,667	56,667
Miscellaneous	64,491	16,660	-	81,151
Intergovernmental	-	1,913	22,694	24,607
Rental income	10,637	13,939	-	24,576
Charges for services	101,309	-	-	101,309
Cemetery income	3,750	-	-	3,750
Interest income	56	10	-	66
Total Revenues	<u>435,983</u>	<u>242,607</u>	<u>79,361</u>	<u>757,951</u>
<u>Expenditures</u>				
Current				
General government	249,698	-	-	249,698
Culture and recreation	53,572	152,241	10,688	216,501
Public works	96,353	-	13,960	110,313
Cemetery maintenance	11,152	-	-	11,152
Debt service	59,368	-	-	59,368
Capital outlay	8,788	1,000	-	9,788
Total Expenditures	<u>478,931</u>	<u>153,241</u>	<u>24,648</u>	<u>656,820</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(42,948)</u>	<u>89,366</u>	<u>54,713</u>	<u>101,131</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in (out)	<u>(37,059)</u>	<u>2,059</u>	<u>13,051</u>	<u>(21,949)</u>
Total Other Financing Sources (Uses)	<u>(37,059)</u>	<u>2,059</u>	<u>13,051</u>	<u>(21,949)</u>
<u>Net Change in Fund Balances</u>	<u>(80,007)</u>	<u>91,425</u>	<u>67,764</u>	<u>79,182</u>
<u>Fund Balances at Beginning of Year</u>	<u>62,723</u>	<u>50,141</u>	<u>(58,812)</u>	<u>54,052</u>
<u>Fund Balances at End of Year</u>	<u>\$ (17,284)</u>	<u>\$ 141,566</u>	<u>\$ 8,952</u>	<u>\$ 133,234</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balance - Total Governmental Funds \$ 79,182

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 9,788	
Less current year depreciation	<u>(168,801)</u>	(159,013)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. 2,000

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net position in the government-wide Statement of Activities. 46,684

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. 101

Changes in Net Position of Governmental Activities **\$ (31,046)**

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Internet Nonmajor Fund	
<u>Assets</u>				
<u>Current Assets</u>				
Customer receivables (net allowance of doubtful accounts)	\$ 69,882	\$ 53,312	\$ 1,696	\$ 124,890
Unbilled revenue	11,014	9,116	226	20,356
Inventory	58,938	12,072	-	71,010
Prepaid expenses	1,818	1,301	-	3,119
Restricted assets				
Cash equivalents	30,826	210,211	-	241,037
Total Current Assets	<u>172,478</u>	<u>286,012</u>	<u>1,922</u>	<u>460,412</u>
<u>Noncurrent Assets</u>				
Land and work in progress	3,561	1,200	-	4,761
Depreciable capital assets, net	1,536,984	9,121,586	1,463	10,660,033
Total Noncurrent Assets	<u>1,540,545</u>	<u>9,122,786</u>	<u>1,463</u>	<u>10,664,794</u>
Total Assets	<u>1,713,023</u>	<u>9,408,798</u>	<u>3,385</u>	<u>11,125,206</u>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable	47,633	17,898	1,455	66,986
Meter deposits payable	42,040	-	-	42,040
Accrued employee benefits	6,799	4,445	-	11,244
Taxes withheld and accrued	2,217	967	-	3,184
Accrued payroll	1,393	703	-	2,096
Accrued interest payable	922	48,786	-	49,708
Long-term debt due in one year	72,956	101,358	-	174,314
Total Current Liabilities	<u>173,960</u>	<u>174,157</u>	<u>1,455</u>	<u>349,572</u>
<u>Noncurrent Liabilities</u>				
Long-term debt due after one year	192,235	4,397,810	-	4,590,045
Total Liabilities	<u>366,195</u>	<u>4,571,967</u>	<u>1,455</u>	<u>4,939,617</u>
<u>Deferred Inflows of Resources</u>				
Premium on debt	513	-	-	513
Total Deferred Inflows of Resources	<u>513</u>	<u>-</u>	<u>-</u>	<u>513</u>
<u>Net Position</u>				
Invested in capital assets, net of related debt	1,274,841	4,623,618	1,463	5,899,922
Restricted for debt service	30,826	210,211	-	241,037
Restricted for customer deposits	42,040	-	-	42,040
Unrestricted (deficit)	(1,392)	3,002	467	2,077
Total Net Position	<u>\$ 1,346,315</u>	<u>\$ 4,836,831</u>	<u>\$ 1,930</u>	<u>\$ 6,185,076</u>

See accompanying notes to financial statements.

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

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Internet Nonmajor Fund	
<u>Operating Revenues</u>				
Charges for services	\$ 718,671	\$ 498,660	\$ 16,703	\$ 1,234,034
Total Operating Revenues	<u>718,671</u>	<u>498,660</u>	<u>16,703</u>	<u>1,234,034</u>
<u>Operating Expenses</u>				
Depreciation	88,649	334,885	4,749	428,283
Purchased water	271,770	-	-	271,770
Salaries and wages	149,181	87,730	-	236,911
Repairs and maintenance	34,503	49,794	12,871	97,168
Utilities	12,381	53,763	-	66,144
Contracted services	17,590	21,292	12,831	51,713
Employee benefits	25,674	24,172	-	49,846
Materials and supplies	3,437	39,066	-	42,503
Insurance	17,833	10,903	-	28,736
Professional	13,744	12,842	-	26,586
Taxes	10,380	6,163	-	16,543
Gasoline, oil and grease	4,906	5,151	-	10,057
Office supplies	1,887	6,868	-	8,755
Miscellaneous	7,016	1,015	-	8,031
Uniforms	674	1,307	-	1,981
Total Operating Expenses	<u>659,625</u>	<u>654,951</u>	<u>30,451</u>	<u>1,345,027</u>
<u>Income (Loss) from Operations</u>	<u>59,046</u>	<u>(156,291)</u>	<u>(13,748)</u>	<u>(110,993)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	141	66	-	207
Interest expense	(4,519)	(102,875)	-	(107,394)
Total Nonoperating Revenues (Expenses)	<u>(4,378)</u>	<u>(102,809)</u>	<u>-</u>	<u>(107,187)</u>
<u>Income (Loss) Before Contributions and Transfers</u>	54,668	(259,100)	(13,748)	(218,180)
Capital contributions	18,024	8,424	-	26,448
Transfers in (out)	(74,711)	88,141	8,519	21,949
<u>Change in Net Position</u>	<u>(2,019)</u>	<u>(162,535)</u>	<u>(5,229)</u>	<u>(169,783)</u>
<u>Net Position at Beginning of Year</u>	<u>1,348,334</u>	<u>4,999,366</u>	<u>7,159</u>	<u>6,354,859</u>
<u>Net Position at End of Year</u>	<u>\$ 1,346,315</u>	<u>\$ 4,836,831</u>	<u>\$ 1,930</u>	<u>\$ 6,185,076</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 714,131	\$ 488,848	\$ 16,507	\$ 1,219,486
Cash payments to suppliers for goods and services	(415,444)	(224,311)	(25,026)	(664,781)
Cash payments to employees for services	(150,250)	(89,512)	-	(239,762)
Net Cash Provided (Used) By Operating Activities	<u>148,437</u>	<u>175,025</u>	<u>(8,519)</u>	<u>314,943</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers out	(74,711)	88,141	8,519	21,949
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(74,711)</u>	<u>88,141</u>	<u>8,519</u>	<u>21,949</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital contributions	18,024	8,424	-	26,448
Principal paid on debt	(72,591)	(98,619)	-	(171,210)
Acquisition of property, plant and equipment	(13,743)	(19,645)	-	(33,388)
Interest paid on debt	(6,319)	(104,708)	-	(111,027)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(74,629)</u>	<u>(214,548)</u>	<u>-</u>	<u>(289,177)</u>
<u>Cash Flows from Investing Activities</u>				
Income received on investments	141	66	-	207
Net Cash Provided (Used) By Investing Activities	<u>141</u>	<u>66</u>	<u>-</u>	<u>207</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	(762)	48,684	-	47,922
<u>Cash and Cash Equivalents at Beginning of Year</u>	31,588	161,527	-	193,115
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 30,826</u>	<u>\$ 210,211</u>	<u>\$ -</u>	<u>\$ 241,037</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>				
Operating income (loss)	\$ 59,046	\$ (156,291)	\$ (13,748)	\$ (110,993)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	88,649	334,885	4,749	428,283
Change in assets and liabilities				
Decrease (increase) in accounts receivable	(6,895)	(9,812)	(196)	(16,903)
Decrease (increase) in prepayments	3,804	1,957	-	5,761
Decrease (increase) in inventory	(8,695)	(1,781)	-	(10,476)
Increase (decrease) in accounts payable	11,242	7,849	676	19,767
Increase (decrease) in accrued liabilities	1,286	(1,782)	-	(496)
Net Cash Provided (Used) By Operating Activities	<u>\$ 148,437</u>	<u>\$ 175,025</u>	<u>\$ (8,519)</u>	<u>\$ 314,943</u>
<u>Reconciliation of Total Cash</u>				
Current assets - cash	\$ -	\$ -	\$ -	\$ -
Restricted assets - cash	30,826	210,211	-	241,037
Total cash	<u>\$ 30,826</u>	<u>\$ 210,211</u>	<u>\$ -</u>	<u>\$ 241,037</u>
<u>Non-Cash Investing, Capital and Related Financing Activities - none</u>				

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Rivers, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public works (streets and highways), culture and recreation, water distribution, wastewater treatment, cemetery maintenance, health and welfare, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Grand Rivers, Kentucky operates under a Mayor/Council form of government. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City. There are no organizations to be included in the reporting entity.

B. Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the City as a whole. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on sources, uses, and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Tourism Fund

The Tourism fund accounts for the collection of hotel/motel and restaurant taxes. These revenues are to be used to promote tourism activities in the Grand Rivers area.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, water treatment, and distribution infrastructure additions and maintenance. The department accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, wastewater treatment and collection, infrastructure additions and maintenance. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Franchise and other taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer and internet services which are accrued. Expenses are recognized at the time the liability is incurred.

Nonexchange 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Non-major governmental funds are not budgeted.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and request appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

As required by Kentucky Revised Statutes (KRS) 91A.030 (2), formal budgetary integration is employed as a management device during the year for the General Fund, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by KRS 91A.030 (13).

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the General Fund or Tourism Fund original adopted budgets for year ended June 30, 2021.

E. Cash and Investments

For the purpose of the Statement of Net Position, "cash equivalents" includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash equivalents" include all demand checking, savings accounts, and certificates of deposit, or short-term investments with an original maturity of three months or less.

Investments include certificates of deposit reported at cost, which approximates fair value. Investments also include short-term pooled municipal guaranteed securities which are valued at market value. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. Additional cash and investment disclosures are presented in Note 3.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The major receivable balance for the governmental activities normally include taxpayer assessed revenues. Business-type activities report customer utility usages as their major receivable.

G. Allowance for Uncollectible Accounts

The City established an allowance for doubtful accounts based off of past collection history. The City has determined that a fair estimate for uncollectible accounts is 4.8% of outstanding receivables.

H. Inventory

Material and supply inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. Adjustments are made to cost of goods sold at year-end when physical counts are performed on inventory items.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

The restricted funds have been handled in accordance with the provisions of the various proprietary fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	35-50 years
Land Improvements	10-35 years
Utility Plant	50 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years
Vehicles	5-7 years

The City has elected not to retroactively report general infrastructure assets purchased prior to July 1, 2003.

L. Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

M. Postemployment Benefits

Postemployment benefits are those received by employees after termination of employment. The City provides no such benefits.

N. Compensated Absences

The City accrues vacation leave benefits as earned by its employees at June 30. Paid time off is earned for the year on January 1 and any unused time at December 31 is forfeited. These benefits are measured using the pay rates in effect at June 30, 2021. The entire compensated absence liability is reported on the government-wide financial statements and proprietary fund financial statements.

O. Long-Term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of lease, note, and bond obligations payable.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Debt issuance costs on long-term debt are amortized over the life of the bond issues using the straight-line method.

P. Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applied to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category.

Deferred inflows related to property taxes are reported in the government-wide statement of net position and governmental balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to premium on refinancing of debt is reported in the Water Fund. The City incurred a premium when refinancing their debt with Kentucky Rural Water. The balance as of June 30, 2021, was \$513 and will be amortized against interest expense over the remaining life of the loan.

Q. Bond Discounts/Issuance Costs

Bond discounts and issuance costs on long-term debt are deferred and charged as nonoperating expense over the terms of the related issues.

R. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

S. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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T. Pensions

The City contributes to a Simple IRA plan for all eligible employees. The City will contribute a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The plan is administered by Edward Jones and is established under Section 408(p) of the Internal Revenue Code. The City contributed \$6,088 to employee Simple IRA accounts for the year ending June 30, 2021.

U. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City has implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The City establishes (and modifies or rescinds) fund balance commitments by voting. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City through adoption or amendment of the budget which is intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.

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- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

V. Adoption of New Accounting Pronouncements

As of June 30, 2021, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provision in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statements information has been updated to reflect the new effective dates.

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after June 15, 2021. This Statement will increase the usefulness of governments' financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018. The requirements of this Statement are effective for periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve

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the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued March 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting financial reporting implications that result from the replacement of and IBOR. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. The City's management has not yet determined the effect this statement will have on the financial statements.

W. Subsequent Events

The City has evaluated subsequent events through May 27, 2022, the date which the financial statements were available to be issued.

The City signed documentation with the US Department of the Treasury to receive their portion of the Coronavirus State and Local Fiscal Recovery Funds established under the American Rescue Plan Act. According to preliminary numbers, the City is expected to receive funds totaling \$95,038 to be paid in two installments. The funds received must be used in compliance with section 603(c) of the Social Security Act, Treasury's regulations implementing that section, and guidance issued by Treasury regarding the foregoing. The period of performance for this award ends on December 31, 2026. Recipients may use the award funds to cover eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024.

Eagle Landing Development will begin in the subsequent fiscal year. The project is expected to add approximately 7,500 linear feet of water line and approximately 8,500 linear feet of sewer line adding service to an estimated fifty-two residential lots and thirty townhomes. The total project cost is expected to be \$500,000 and will be funded by a grant of \$150,000 and the developer.

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Tourism Outdoor Recreation & Adventure Project includes revitalizing Little Lake Park with new playground equipment, benches, sitting areas, and splash-pad, bike share "rental" program, and mural project. Additionally, the project includes a musical train that would consist of large commercial percussion instruments throughout Grand Rivers along the sidewalks. The total cost of the project presented was \$456,000. The first stage of the project was implemented during the July 2021 Commission meeting.

2. LEGAL COMPLIANCE

Excess of Expenditures Over Appropriations in Individual Funds

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2021.

General Fund \$ 24,781 Due to underbudgeted general government expenditures.

Fund equity and other financial sources were sufficient to offset the over expenditures in the General Fund.

Deficit Fund Balances/Net Position

A fund balance deficit of \$17,284 exists in the General Fund. The deficit results from expenditures that are recognized as of June 30, 2021, that will be paid in the subsequent fiscal year with normal operating revenues.

3. DEPOSITS AND INVESTMENTS

A. Statement of Net Position Cash Presentation

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Cash on Hand	Deposits	Investments	Total
Cash equivalents	\$ 250	\$ 134,393	\$ -	\$ 134,643
Restricted assets				
Cash equivalents	-	263,774	-	263,774
Total	\$ 250	\$ 398,167	\$ -	\$ 398,417

B. Deposits

At year end, the carrying amount of the City's demand deposits were \$398,417 and the bank balance was \$426,814. These demand deposits were held in various financial institutions. Of the bank balance \$304,326 was covered by federal depository insurance and the remaining \$122,488 was collateralized by securities held by the pledging financial institution's agent or trust department in the City's name.

C. Investments

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state chartered banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury, agencies, and instrumentalities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing

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interest rates.

Credit Risk and Custodial Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limit on the amount that may be invested with one issuer.

4. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Livingston County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Livingston County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2021, taxes were levied on July 1 and payable on December 31. The tax rate was \$0.260 per \$100 of assessed valuation for motor vehicles, \$0.307 per \$100 of assessed valuation of real property, and \$0.5876 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

5. RESTRICTED NET POSITION

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the General, Water, and Sewer Funds as of June 30, 2021.

<u>Customer Deposits - Restricted Assets</u>	
Water - Customer deposits	\$ 42,040
<u>Debt Requirement Restricted Assets</u>	
General - Bond reserve funds	22,737
Water - Bond reserve funds	30,826
Sewer - Bond reserve funds	<u>210,211</u>
Total Restricted Assets	<u>\$ 305,814</u>

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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6. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2021 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 265,350	\$ -	\$ -	\$ 265,350
Construction in progress	19,788	-	(19,788)	-
Total capital assets not being depreciated	<u>285,138</u>	<u>-</u>	<u>(19,788)</u>	<u>265,350</u>
Capital assets being depreciated:				
Infrastructure	221,020	-	-	221,020
Land improvements	2,226,822	19,788	-	2,246,610
Buildings	1,368,719	8,788	-	1,377,507
Furnishings and fixtures	246,944	3,000	-	249,944
Vehicles	12,500	-	-	12,500
Total capital assets being depreciated	<u>4,076,005</u>	<u>31,576</u>	<u>-</u>	<u>4,107,581</u>
Less accumulated depreciation for:				
Infrastructure	(125,542)	(7,705)	-	(133,247)
Land improvements	(969,562)	(96,789)	-	(1,066,351)
Buildings	(743,220)	(48,531)	-	(791,751)
Furnishings and fixtures	(202,019)	(13,276)	-	(215,295)
Vehicles	(7,292)	(2,500)	-	(9,792)
Total accumulated depreciation	<u>(2,047,635)</u>	<u>(168,801)</u>	<u>-</u>	<u>(2,216,436)</u>
Total capital assets being depreciated, net	<u>2,028,370</u>	<u>(137,225)</u>	<u>-</u>	<u>1,891,145</u>
Governmental activities capital assets, net	<u>\$ 2,313,508</u>	<u>\$ (137,225)</u>	<u>\$ (19,788)</u>	<u>\$ 2,156,495</u>

Business-type Activities

A summary of property, plant and equipment at June 30, 2021 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,761	\$ -	\$ -	\$ 4,761
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>4,761</u>	<u>-</u>	<u>-</u>	<u>4,761</u>
Capital assets being depreciated:				
Buildings and improvements	14,959,014	23,697	-	14,982,711
Machinery and equipment	461,121	9,691	-	470,812
Vehicles	148,151	-	-	148,151
Total capital assets being depreciated	<u>15,568,286</u>	<u>33,388</u>	<u>-</u>	<u>15,601,674</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,946,132)	(408,887)	-	(4,355,019)
Machinery and equipment	(428,965)	(12,822)	-	(441,787)
Vehicles	(138,261)	(6,574)	-	(144,835)
Total accumulated depreciation	<u>(4,513,358)</u>	<u>(428,283)</u>	<u>-</u>	<u>(4,941,641)</u>
Total capital assets being depreciated, net	<u>11,054,928</u>	<u>(394,895)</u>	<u>-</u>	<u>10,660,033</u>
Business-type activities capital assets, net	<u>\$ 11,059,689</u>	<u>\$ (394,895)</u>	<u>\$ -</u>	<u>\$ 10,664,794</u>

CITY OF GRAND RIVERS, KENTUCKY
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 92,792
Public safety	4,224
Public works	12,982
Culture and recreation	58,753
Cemetery	50
Total depreciation expense - governmental activities	<u>\$ 168,801</u>
Business-type activities:	
Water	\$ 88,649
Sewer	334,885
Internet	4,749
Total depreciation expense - business type activities	<u>\$ 428,283</u>

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2021. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

8. LONG-TERM DEBT

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

As of June 30, 2021, the governmental long-term debt consisted of the following:

Current portion general obligation bonds and notes	
Bond obligations	\$ 27,500
Note obligations	<u>6,972</u>
Total current portion	<u>34,472</u>
Noncurrent portion general obligation bonds and notes:	
Bond obligations	205,833
Note obligations	<u>39,655</u>
Total noncurrent portion	<u>245,488</u>
Total General Bond and Note Obligations	<u>\$ 279,960</u>

CITY OF GRAND RIVERS, KENTUCKY
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General Bonds Payable

The City entered into a leasing agreement on March 29, 2012, with the Kentucky Bond Corporation to help finance storm damage expenses. The original amount advanced was \$255,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning May 1, 2012 (the monthly payments vary and range from \$2,625 to \$3,168). The last scheduled payment is February 1, 2022. The lease agreement provides financing rates that range from 2.5% to 3.25%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2021, is \$17,500. The lease financed various cleanup and asset improvement projects.

The City entered into a leasing agreement on November 30, 2016, with the Kentucky Bond Corporation to help finance the sidewalk and streetlight project. The total amount financed was \$260,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning February 1, 2017 (the monthly payments vary and range from \$1,624 to \$1,729). The last scheduled payment is January 1, 2037. The lease agreement provides financing rates of approximately 4.2%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2021, is \$215,833.

General Notes Payable

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to the community center. The agreement was entered into on June 16, 2015, with an available amount of \$80,000 with an interest rate of 4.49% and a maturity date of June 16, 2020. This loan was refinanced on June 22, 2020, for the amount of \$53,311. The loan calls for monthly payments with an interest rate of 4.24% and a maturity date of June 22, 2025. As of June 30, 2021 the principal balance is \$46,627.

Business-Type Activities

As of June 30, 2021, the leases and notes payable from proprietary fund resources consisted of the following:

Current portion proprietary leases, notes and bonds:	
Lease obligations	\$ 55,000
Note obligations	36,814
Bond obligations	<u>82,500</u>
Total current portion	<u>174,314</u>
Noncurrent portion proprietary leases, notes, and bonds	
Note obligations	253,545
Bond obligations	<u>4,336,500</u>
Total noncurrent portion	<u>4,590,045</u>
Total Proprietary Lease, Note, and Bond Obligations	<u>\$ 4,764,359</u>

CITY OF GRAND RIVERS, KENTUCKY
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Proprietary Leases

National Rural Water Association - The City entered into a leasing agreement on December 19, 2001, with the Kentucky Rural Water Finance Corporation Area Development Districts Financing Trust to finance water improvement projects at interest rates approximating 5% per annum. This agreement was refinanced on February 27, 2013 with lower interest rates of 2.3%-2.8%. The lease agreement requires monthly payments including principal and interest to be made to a sinking fund beginning April 2013 varying from \$4,712 to \$5,437. The last scheduled payment is January 2022. The lease is backed by full faith and credit of the City. The principal balance at June 30, 2021, is \$55,000.

Proprietary Notes Payable

Kentucky Infrastructure Authority - The City entered into a loan agreement with Kentucky Infrastructure Authority for \$263,000. The project consisted of Lake City waterline improvements and water tank repairs. The project was completed in June 2015. The loan calls for semi-annual payments due June 1 and December 1 with an interest rate of .75% and was financed over 20 years. The principal balance at June 30, 2021 is \$188,191.

First Kentucky Bank - The City entered into a loan agreement with First Kentucky Bank for \$125,175 on June 1, 2020. The funds were used for water and sewer repairs. The loan calls for monthly payments with an interest rate of 4.00% and was financed over 5 years. The principal balance at June 30, 2021 is \$102,168.

Revenue Bonds

Water and Sewer Revenue Bonds - The City of Grand Rivers, Kentucky, adopted a resolution to issue \$3,662,000 of City of Grand Rivers, Water and Sewer Revenue Bonds, Series 2015A and \$1,067,000 Water and Sewer Revenue Bonds, Series 2015B for the purpose of a new sewer plant and lift station. The bonds were finalized June 6, 2016 with an interest rate of 2.25%. The bond covenants require \$1,760 per month be deposited into a "Funded Debt Reserve Account" until the account reaches \$211,200. The deposits are to be resumed any time the account falls below the \$211,200. The principal balances at June 30, 2021 are \$4,419,000.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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9. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide debt activities for the year ended June 30, 2021 follows:

	<u>Balance June 30, 2020</u>	<u>Proceeds</u>	<u>Retirement/ Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due in One Year</u>
<i><u>Governmental Activities</u></i>					
Leases payable:					
Kentucky Bond Corporation	\$ 47,500	\$ -	\$ 30,000	\$ 17,500	\$ 17,500
Kentucky Bond Corporation	225,833	-	10,000	215,833	10,000
Notes payable:					
1st Kentucky Bank - General	<u>53,311</u>	<u>-</u>	<u>6,684</u>	<u>46,627</u>	<u>6,972</u>
Total Governmental Activities	<u>326,644</u>	<u>-</u>	<u>46,684</u>	<u>279,960</u>	<u>34,472</u>
<i><u>Business Type Activities</u></i>					
Lease payable:					
Kentucky Rural Water	\$ 110,000	\$ -	\$ 55,000	\$ 55,000	\$ 55,000
Notes Payable:					
Kentucky Infrastructure Authority	200,894	-	12,703	188,191	12,798
1st Kentucky Bank - Proprietary	125,175	-	23,007	102,168	24,016
Bonds Payable:					
Series 2015B	1,019,000	-	17,000	1,002,000	17,500
Series 2015A	<u>3,480,500</u>	<u>-</u>	<u>63,500</u>	<u>3,417,000</u>	<u>65,000</u>
Total Business-Type Activities	<u>4,935,569</u>	<u>-</u>	<u>171,210</u>	<u>4,764,359</u>	<u>174,314</u>
Total Primary Government	<u>\$ 5,262,213</u>	<u>\$ -</u>	<u>\$ 217,894</u>	<u>\$ 5,044,319</u>	<u>\$ 208,786</u>

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 208,786	\$ 114,547	\$ 323,333
2023	139,666	108,280	247,946
2024	143,593	104,563	248,156
2025	163,954	123,403	287,357
2026	116,837	96,778	213,615
2027-2031	635,936	442,631	1,078,567
2032-2036	694,880	366,924	1,061,804
2037-2041	650,167	287,576	937,743
2042-2046	727,000	209,452	936,452
2047-2051	827,000	121,039	948,039
2052-2055	<u>736,500</u>	<u>25,166</u>	<u>761,666</u>
Total	<u>\$ 5,044,319</u>	<u>\$ 2,000,359</u>	<u>\$ 7,044,678</u>

CITY OF GRAND RIVERS, KENTUCKY
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Total interest expense for the year ended June 30, 2021:

Governmental activities	\$ 12,584
Business-type activities	<u>107,394</u>
	<u><u>\$ 119,978</u></u>

10. LITIGATION AND CONTINGENCIES

Litigation

The City is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

Contingencies

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2021 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

11. COMMITMENTS

The City entered into a contract with Waste Path Services, LLC beginning July 1, 2018, and ending June 30, 2022. The Contractor is to provide the collection and disposal of residential and commercial garbage. The City is responsible for billing and collecting fees. Amounts collected for services, less a 7% franchise fee, will be forwarded to the Contractor. Collections are remitted monthly.

The City entered into an agreement between the Grand Rivers Tourism Commission and Minihan Productions, LLC, to sublease the Badgett Playhouse. The initial agreement dated June 15, 2005, for 10 years, was renewed January 1, 2015 for an additional 10 years, through December 31, 2024. Minihan Productions agrees to pay the Grand Rivers Tourism Commission a sum of \$40,000 annually from sales at a rate of 8%. The Grand Rivers Tourism Commission agrees to pay the City of Grand Rivers a sum of \$8,000 annually to be paid at a rate of 2% of gross receipts collected by Minihan until the amount is paid in full each year. Should the percentage be insufficient, a settlement is due within 30 days of the calendar year end for the remaining balance.

The City entered into an agreement with Phillip and Brenda Colburn to sublease the land known as Lighthouse Landing. The most recent agreement was signed on January 1, 2005 for a term of 20 years. The annual lease is for \$8,800 to be paid in monthly installments.

CITY OF GRAND RIVERS, KENTUCKY
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12. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Primary government operating transfers at June 30, 2021 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<u>General Fund</u>	\$ 37,059	\$ -	\$ 37,059
<u>Special Revenue Funds</u>			
Municipal Aid	-	51,743	(51,743)
Tourism	-	2,059	(2,059)
ABC	38,692	-	38,692
<u>Business-type funds</u>			
Water Fund	74,711	-	74,711
Sewer Fund	-	88,141	(88,141)
Internet Fund	-	8,519	(8,519)
Total	<u>\$ 150,462</u>	<u>\$ 150,462</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RIVERS, KENTUCKY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original</u> <u>Budgeted</u>	<u>Final</u> <u>Budgeted</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes				
Property	\$ 231,000	\$ 231,000	\$ 221,338	\$ (9,662)
Franchise and other	51,000	51,000	34,402	(16,598)
Charges for services	91,000	91,000	101,309	10,309
Miscellaneous	49,050	49,050	64,491	15,441
Intergovernmental	22,000	22,000	-	(22,000)
Rental income	10,000	10,000	10,637	637
Cemetery income	-	-	3,750	3,750
Interest income	100	100	56	(44)
Total revenues	<u>454,150</u>	<u>454,150</u>	<u>435,983</u>	<u>(18,167)</u>
<u>Expenditures</u>				
General government	204,650	204,650	249,698	(45,048)
Public works	93,500	93,500	96,353	(2,853)
Culture and recreation	98,000	98,000	53,572	44,428
Cemetery maintenance	-	-	11,152	(11,152)
Debt service	58,000	58,000	59,368	(1,368)
Capital outlay	-	-	8,788	(8,788)
Total expenditures	<u>454,150</u>	<u>454,150</u>	<u>478,931</u>	<u>(24,781)</u>
<u>Excess (Deficiency) of Revenues Over</u>				
<u>Expenditures</u>	<u>-</u>	<u>-</u>	<u>(42,948)</u>	<u>(42,948)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in(out)	<u>-</u>	<u>-</u>	<u>(37,059)</u>	<u>(37,059)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(37,059)</u>	<u>(37,059)</u>
<u>Net Change in Fund Balances</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>(80,007)</u>	<u>\$ (80,007)</u>
<u>Fund Balances at Beginning of Year</u>			<u>62,723</u>	
<u>Fund Balances at End of Year</u>			<u>\$ (17,284)</u>	

CITY OF GRAND RIVERS, KENTUCKY
TOURISM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 128,500	\$ 128,500	\$ 210,085	\$ 81,585
Miscellaneous	14,700	14,700	16,660	1,960
Rental income	31,000	31,000	13,939	(17,061)
Intergovernmental	1,750	1,750	1,913	163
Interest income	-	-	10	10
Total revenues	<u>175,950</u>	<u>175,950</u>	<u>242,607</u>	<u>66,657</u>
<u>Expenditures</u>				
Culture and recreation	175,950	175,950	152,241	23,709
Capital outlay	-	-	1,000	(1,000)
Total expenditures	<u>175,950</u>	<u>175,950</u>	<u>153,241</u>	<u>22,709</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>				
	-	-	89,366	89,366
<u>Other Financing Sources (Uses)</u>				
Transfers in (out)	-	-	2,059	2,059
<u>Net Change in Fund Balances</u>				
	<u>\$ -</u>	<u>\$ -</u>	91,425	<u>\$ 91,425</u>
<u>Fund Balances at Beginning of Year</u>				
			<u>50,141</u>	
<u>Fund Balances at End of Year</u>				
			<u>\$ 141,566</u>	

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF GRAND RIVERS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			
	Municipal Aid	ABC Fund	LGEA Fund	Total Non-Major Governmental Funds
<u>Assets</u>				
Regulatory fees receivable	\$ -	\$ 8,952	\$ -	\$ 8,952
<u>Total Assets</u>	\$ -	\$ 8,952	\$ -	\$ 8,952
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Total Liabilities	-	-	-	-
<u>Fund Balances</u>				
Assigned for				
Alcoholic beverage control	-	8,952	-	8,952
Restricted for				
Unassigned	-	-	-	-
Total Fund Balances	-	8,952	-	8,952
<u>Total Liabilities and Fund Balances</u>	\$ -	\$ 8,952	\$ -	\$ 8,952

CITY OF GRANDS RIVERS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			Total Other Governmental Funds
	Municipal Aid	ABC Fund	LGEA Fund	
<u>Revenues</u>				
Regulatory fees	\$ -	\$ 56,667	\$ -	\$ 56,667
Intergovernmental revenue	7,425	-	15,269	22,694
Total Revenues	7,425	56,667	15,269	79,361
<u>Expenditures</u>				
Public works	-	9,379	4,581	13,960
Culture and recreation	-	-	10,688	10,688
Total Expenditures	-	9,379	15,269	24,648
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	7,425	47,288	-	54,713
<u>Other Financing Sources (Uses)</u>				
Transfers in (out)	51,743	(38,692)	-	13,051
<u>Net Change in Fund Balances</u>	59,168	8,596	-	67,764
<u>Fund Balances - Beginning of Year</u>	(59,168)	356	-	(58,812)
<u>Fund Balances - End of Year</u>	\$ -	\$ 8,952	\$ -	\$ 8,952

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

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

Honorable Mayor Tom Moodie
and Members of the City Council
City of Grand Rivers, Kentucky
Grand Rivers, 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 City of Grand Rivers, Kentucky as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Grand Rivers, Kentucky's basic financial statements, and have issued our report thereon dated May 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Grand Rivers, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grand Rivers, Kentucky'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency*, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting (Item 2021-1).

Compliance and other Matters

As part of obtaining reasonable assurance about whether City of Grand Rivers, Kentucky's financial statements are free of material misstatement, we performed tests of 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 is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2021-1.

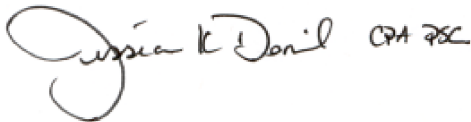
We also noted certain matters that we reported to management of the City of Grand Rivers, Kentucky, in a separate letter dated May 27, 2022.

Response to Findings

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

Purpose of this Report

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

Handwritten signature of Jessica K. Daniel CPA FSC in black ink.

Eddyville, Kentucky
May 27, 2022

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

2021-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Grand Rivers, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Grand Rivers, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements. The City also will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

2020-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Grand Rivers, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Grand Rivers, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements. The City also will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

2020-2: Bond Covenant Compliance

Criteria: The bond agreement addresses the City's responsibilities for the creation and maintenance of a debt reserve fund in order to cover the cost of unusual or extraordinary maintenance, repair, renewals, or replacements related to assets purchased with bond proceeds.

Condition: The City is not in compliance with the debt covenants provided in the bond agreements.

Context: The City is required to deposit \$1,760 each month into a debt reserve fund until there is an accumulated sum of at least \$211,200, which amount shall be maintained, and when necessary, restored to said sum of \$211,200, so long as any of the current bonds are outstanding and unpaid.

Cause: The City's financial restraints that prevent the maintenance of the required monthly deposits in the debt reserve fund.

Effect: The bonds may become callable in the event the City does not fulfill its obligations as outlined in the bond agreement.

Recommendation: The City should comply with the debt covenants. If compliance is considered unfeasible, the City should consider requesting a waiver from the bonding agent.

Response: The City is aware of the required contributions. Due to lower than anticipated revenues caused by the COVID-19 pandemic they have not been able to make the full payments. As the City recovers additional monthly payments will be made to bring the City back into compliance.