

CITY OF GRAND RIVERS, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF GRAND RIVERS, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
TABLE OF CONTENTS

	Page
Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements	
<u>Governmental Funds</u>	
Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances.....	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	15
 <u>Proprietary Funds</u>	
Statement of Net Position.....	16
Statement of Revenues, Expenses and Changes in Fund Net Position.....	17
Statement of Cash Flows.....	18
Notes to Basic Financial Statements.....	19 - 35
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund.....	36
Tourism Fund.....	37
Combining and Individual Fund Statements and Schedules	
Combining Financial Statements - Non-Major Governmental Funds:	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures and Changes In Fund Balances.....	39
Compliance and Internal Control Section	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40 - 41
Schedule of Findings and Responses.....	42 - 44
Schedule of Prior Year Findings and Responses.....	45

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Grand Rivers, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Grand Rivers, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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 4-9 and 38-39 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.

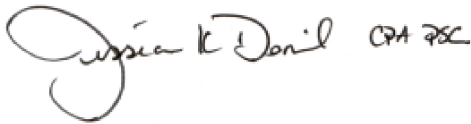
Other Information

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 31, 2024, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Grand Rivers, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rivers, Kentucky's internal control over financial reporting and compliance.

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

Eddyville, Kentucky
May 31, 2024

**CITY OF GRAND RIVERS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
(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, 2023. 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, 2023.

- The total assets of the City exceed is total liabilities and deferred inflows of resources at the close of the 2023 fiscal year by \$7,862,919 (Net Position). Of this amount, \$18,383 represents the unrestricted net position.
- The City's total net position decreased by \$244,607 during the year. Governmental activities increased the City's net position by \$8,915 and business-type activities decreased the City's net position by \$253,522.
- The City's governmental fund balance, a measure of current financial resources, decreased in the governmental funds by \$92,481 to a June 30, 2023, fund balance of \$95,451. Of that balance \$14,666 is restricted, \$104,920 is assigned, and \$619 is non-spendable, leaving a negative unrestricted balance of \$24,754. 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 expenditures exceeded revenues by \$92,481.

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 10 and 11 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 12-15.

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 16-18 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 19-35 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, 2023, the City received \$50,781 in operating and capital grants and contributions. Revenue from taxes and charges for services were \$629,493 and \$1,246,540 respectively. Expenses directly related to programs offered by the City were \$2,673,783. The Statement of Activities reflects the current year decrease of \$244,607.

- The fund financial statements report General fund ordinary revenues of \$494,340. Expenditures for the year ending June 30, 2023 total \$621,218.
- Tourism revenue totaled \$462,744. Expenditures from the tourism fund were \$470,904.
- Capital projects had debt proceeds of \$347,062. Expenditures from the capital projects fund were \$455,276.
- The other governmental funds generated ordinary revenues of \$113,036, while expenditures total \$111,898.

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

CITY OF GRAND RIVERS, KENTUCKY'S NET POSITION

	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 790,258	\$ 759,221
Noncurrent assets, net	<u>12,749,808</u>	<u>12,725,115</u>
Total Assets	<u>13,540,066</u>	<u>13,484,336</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,610,161	4,775,562
Other liabilities	<u>879,750</u>	<u>397,478</u>
Total Liabilities	<u>5,489,911</u>	<u>5,173,040</u>
Deferred inflows of resources	<u>187,236</u>	<u>224,576</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,677,147</u>	<u>5,397,616</u>
Net Position		
Invested in capital assets net of related debt	7,605,817	7,719,753
Restricted	238,719	285,775
Unrestricted	<u>18,383</u>	<u>81,192</u>
Total Net Position	<u>\$ 7,862,919</u>	<u>\$ 8,086,720</u>

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

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 1,246,540	\$ 1,278,170
Grants and contributions	50,781	36,785
General revenues		
Taxes and regulatory fees	719,791	585,934
Gain/(loss) on sale of assets	186,461	-
Other	138,990	119,111
Interest income	4,230	3,345
Capital contributions	16,743	301,360
Rental income	62,340	47,380
Cemetery income	<u>3,300</u>	<u>3,790</u>
Total revenues	<u>2,429,176</u>	<u>2,375,875</u>
Expenses		
General government	420,951	414,175
Culture and recreation	561,845	440,238
Public works	103,145	143,558
Cemetery	-	7,050
Public safety	101,043	19,271
Interest expense	10,052	24,887
Business-type activities	<u>1,476,747</u>	<u>1,474,035</u>
Total Expenses	<u>2,673,783</u>	<u>2,523,214</u>
Change in net position	(244,607)	(147,339)
Net position - beginning, restated	<u>8,107,526</u>	<u>8,234,059</u>
Net position - ending	<u>\$ 7,862,919</u>	<u>\$ 8,086,720</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated a decrease of \$63,000 in the general fund balance. The budgeted revenues exceeded actual revenue received by \$3,210 in the general fund. Budgeted expenditures exceeded actual expenditures by \$60,668. 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 \$201,794 in the tourism fund. Actual expenditures exceeded budgeted expenditures by \$209,954. 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, 2023, was \$2,433,218. The City's investment in capital assets for its business-type activities as of June 30, 2023, was \$10,292,391. This investment includes land, buildings, vehicles and equipment, net of depreciation. The City placed in service various assets during the year totaling \$363,247. Carrying values of the City's capital assets are as follows:

	2023	2022
Governmental activities:		
Capital assets, not being depreciated:		
Land	\$ 263,350	\$ 268,210
Construction in progress	453,295	-
Total capital assets, not being depreciated	716,645	268,210
Capital assets, being depreciated (net):		
Land improvements	993,505	1,089,921
Buildings and improvements	605,048	537,998
Infrastructure	67,994	81,494
Furnishings, fixtures, and equipment	48,476	26,887
Vehicles	1,550	2,251
Total capital assets, being depreciated (net)	1,716,573	1,738,551
Governmental activities capital assets, net	\$ 2,433,218	\$ 2,006,761
 Business-type activities:		
Capital assets, not being depreciated:		
Land	\$ 5,761	\$ 5,761
Total capital assets, not being depreciated	5,761	5,761
Capital assets, being depreciated:		
Buildings and improvements	10,241,664	10,612,135
Machinery and equipment	45,966	28,883
Vehicles	-	-
Total capital assets, being depreciated	10,287,630	10,641,018
Business-type activities capital assets, net	\$ 10,293,391	\$ 10,646,779

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 \$305,077 and \$4,467,653 respectively. The debt is related to equipment and improvements to existing capital assets.

During the next fiscal year, the general fund amount due is \$36,564 and the remainder is scheduled to be paid out in 2037. Interest expense for 2023 was \$10,052. 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 \$126,005 and the remainder is scheduled to be paid out in 2055. Interest expense paid by the proprietary funds for 2023 was \$96,546.

The City has a new loan with First Kentucky Bank for the city hall renovations and construction of the new maintenance shop. The total loan amount is \$350,000. As of June 30, 2023, \$347,062 has been drawn.

Additional information on the City's long-term debt can be found in Notes 9 and 10 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, 2023

	Governmental Activities	Business-type Activities	Totals
<u>Assets</u>			
Current Assets			
Cash equivalents	\$ 172,838	\$ -	\$ 172,838
Accounts receivable (net)			
Fees and services	7,129	111,363	118,492
Taxes	58,844	-	58,844
Regulatory fees	6,814	-	6,814
Unbilled revenue	1,253	18,039	19,292
Intergovernmental receivable	5,340	-	5,340
Debt receivable	48,847	-	48,847
Lease receivable	56,308	-	56,308
Other receivable	-	5,834	5,834
Inventory	-	103,545	103,545
Prepaid expenses	619	4,563	5,182
Restricted assets			
Cash equivalents	9,326	179,596	188,922
Total Current Assets	<u>367,318</u>	<u>422,940</u>	<u>790,258</u>
Noncurrent Assets			
Lease receivable	24,199	-	24,199
Land and construction in progress	716,645	5,761	722,406
Depreciable capital assets, net of depreciation	<u>1,716,573</u>	<u>10,286,630</u>	<u>12,003,203</u>
Total Noncurrent Assets	<u>2,457,417</u>	<u>10,292,391</u>	<u>12,749,808</u>
Total Assets	<u>2,824,735</u>	<u>10,715,331</u>	<u>13,540,066</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	90,687	59,989	150,676
Construction accounts payable	103,417	-	103,417
Meter deposits payable	-	44,457	44,457
Accrued employee benefits	2,669	10,039	12,708
Accrued payroll	2,570	3,077	5,647
Taxes withheld and accrued	1,798	4,456	6,254
Accrued interest	-	46,960	46,960
Interim financing	347,062	-	347,062
Long-term debt due in one year	36,564	126,005	162,569
Total Current Liabilities	<u>584,767</u>	<u>294,983</u>	<u>879,750</u>
Noncurrent Liabilities			
Long-term debt due after one year	268,513	4,341,648	4,610,161
Total Noncurrent Liabilities	<u>268,513</u>	<u>4,341,648</u>	<u>4,610,161</u>
Total Liabilities	<u>853,280</u>	<u>4,636,631</u>	<u>5,489,911</u>
<u>Deferred Inflows of Resources</u>			
Deferred revenue - leases	76,261	-	76,261
Deferred revenue - grants	-	96,557	96,557
Property taxes	14,418	-	14,418
Total Deferred Inflows of Resources	<u>90,679</u>	<u>96,557</u>	<u>187,236</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	1,781,079	5,824,738	7,605,817
Restricted for			
Public works	5,340	-	5,340
Debt service	9,326	179,596	188,922
Customer deposits	-	44,457	44,457
Unrestricted	85,031	(66,648)	18,383
Total Net Position	<u>\$ 1,880,776</u>	<u>\$ 5,982,143</u>	<u>\$ 7,862,919</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 420,951	\$ 91,261	\$ -	\$ -	\$ (329,690)	\$ -	\$ (329,690)
Culture and recreation	561,845	-	32,471	-	(529,374)	-	(529,374)
Public works	103,145	-	18,310	-	(84,835)	-	(84,835)
Public safety	101,043	-	-	-	(101,043)	-	(101,043)
Cemetery maintenance	-	-	-	-	-	-	-
Interest on long-term debt	10,052	-	-	-	(10,052)	-	(10,052)
Total governmental activities	<u>1,197,036</u>	<u>91,261</u>	<u>50,781</u>	<u>-</u>	<u>(1,054,994)</u>	<u>-</u>	<u>(1,054,994)</u>
Business-type activities							
Water system	697,973	678,612	-	-	-	(19,361)	(19,361)
Sewer system	761,272	461,794	-	-	-	(299,478)	(299,478)
Internet	17,502	14,873	-	-	-	(2,629)	(2,629)
Total business-type activities	<u>1,476,747</u>	<u>1,155,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(321,468)</u>	<u>(321,468)</u>
Total Primary Government	<u>\$ 2,673,783</u>	<u>\$ 1,246,540</u>	<u>\$ 50,781</u>	<u>\$ -</u>	<u>(1,054,994)</u>	<u>(321,468)</u>	<u>(1,376,462)</u>
<u>General Revenues and Transfers</u>							
Taxes							
Property					282,916	-	282,916
Tourism					312,614	-	312,614
Franchise and other					33,963	-	33,963
Regulatory fees					90,298	-	90,298
Miscellaneous					138,990	-	138,990
Rental income					62,340	-	62,340
Cemetery					3,300	-	3,300
Interest income					3,194	1,036	4,230
Gain/(loss) on sale of assets					186,461	-	186,461
Contributed capital					-	16,743	16,743
Transfers					(50,167)	50,167	-
Total General Revenues and Transfers					<u>1,063,909</u>	<u>67,946</u>	<u>1,131,855</u>
<u>Change in Net Position</u>					8,915	(253,522)	(244,607)
<u>Net Position at Beginning of Year</u>					1,856,871	6,229,849	8,086,720
<u>Prior period adjustments (See Note 14)</u>					14,990	5,816	20,806
<u>Net Position at End of Year</u>					<u>\$ 1,880,776</u>	<u>\$ 5,982,143</u>	<u>\$ 7,862,919</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Tourism	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash equivalents	\$ 31,600	\$ 93,623	\$ 6,321	\$ 41,294	\$ 172,838
Accounts receivable					
Taxes	16,971	41,873	-	-	58,844
Fees and services	7,129	-	-	-	7,129
Regulatory fees	-	-	-	6,814	6,814
Unbilled revenue	1,253	-	-	-	1,253
Debt receivable	-	-	48,847	-	48,847
Intergovernmental receivables	-	-	-	5,340	5,340
Prepaid expenses	619	-	-	-	619
Due from other funds	-	-	-	12,586	12,586
Restricted assets					
Cash equivalents	9,326	-	-	-	9,326
Total Assets	<u>\$ 66,898</u>	<u>\$ 135,496</u>	<u>\$ 55,168</u>	<u>\$ 66,034</u>	<u>\$ 323,596</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Accounts payable	\$ 52,485	\$ 3,681	\$ -	\$ 34,521	\$ 90,687
Construction accounts payable	-	-	103,417	-	103,417
Taxes withheld and accrued	739	512	-	547	1,798
Accrued payroll	660	1,910	-	-	2,570
Accrued employee benefits	819	1,850	-	-	2,669
Due to other funds	12,586	-	-	-	12,586
Total Liabilities	<u>67,289</u>	<u>7,953</u>	<u>103,417</u>	<u>35,068</u>	<u>213,727</u>
<u>Deferred Inflows of Resources</u>					
Property taxes	14,418	-	-	-	14,418
Total Deferred Inflows of Resources	<u>14,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,418</u>
<u>Fund Balances</u>					
Nonspendable					
Prepaid expenses	619	-	-	-	619
Restricted for					
Public works	-	-	-	5,340	5,340
Debt service	9,326	-	-	-	9,326
Assigned for					
Tourism fund	-	127,543	-	-	127,543
Alcoholic beverage control	-	-	-	25,626	25,626
Capital projects	-	-	(48,249)	-	(48,249)
Unassigned (deficit)	(24,754)	-	-	-	(24,754)
Total Fund Balances (deficit)	<u>(14,809)</u>	<u>127,543</u>	<u>(48,249)</u>	<u>30,966</u>	<u>95,451</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 66,898</u>	<u>\$ 135,496</u>	<u>\$ 55,168</u>	<u>\$ 66,034</u>	<u>\$ 323,596</u>

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, 2023

Fund Balances - Total Governmental Funds \$ 95,451

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	\$ 4,931,070	
Less accumulated depreciation	<u>(2,497,852)</u>	2,433,218

Under modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year.

Lease receivable, net		4,246
-----------------------	--	-------

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

Interim financing	(347,062)	
Debt due within one year	(36,564)	
Debt due after one year	<u>(268,513)</u>	<u>(652,139)</u>

Net Position of Governmental Activities **\$ 1,880,776**

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Tourism</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Taxes					
Property	\$ 282,916	\$ -	\$ -	\$ -	\$ 282,916
Tourism	-	312,614	-	-	312,614
Franchise and other	25,432	-	-	-	25,432
Occupational	8,531	-	-	-	8,531
Regulatory fees	-	-	-	90,298	90,298
Miscellaneous	54,653	84,337	-	-	138,990
Intergovernmental	-	28,043	-	22,738	50,781
Rental income	27,739	37,738	-	-	65,477
Charges for services	91,261	-	-	-	91,261
Cemetery income	3,300	-	-	-	3,300
Interest income	508	12	-	-	520
Total Revenues	<u>494,340</u>	<u>462,744</u>	<u>-</u>	<u>113,036</u>	<u>1,070,120</u>
<u>Expenditures</u>					
Current					
General government	300,856	-	4,842	-	305,698
Culture and recreation	58,040	447,752	-	10,331	516,123
Public works	93,285	-	-	4,427	97,712
Public safety	-	-	-	97,140	97,140
Debt service	47,507	-	-	-	47,507
Capital outlay	121,530	23,152	450,434	-	595,116
Total Expenditures	<u>621,218</u>	<u>470,904</u>	<u>455,276</u>	<u>111,898</u>	<u>1,659,296</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over Expenditures</u>	<u>(126,878)</u>	<u>(8,160)</u>	<u>(455,276)</u>	<u>1,138</u>	<u>(589,176)</u>
<u>Other Financing Sources (Uses)</u>					
Long-term debt issued	-	-	347,062	-	347,062
Proceeds from sale of assets	199,800	-	-	-	199,800
Transfers in	-	4,102	62,923	-	67,025
Transfers in (out)	(111,037)	-	-	(6,155)	(117,192)
Total Other Financing Sources (Uses)	<u>88,763</u>	<u>4,102</u>	<u>409,985</u>	<u>(6,155)</u>	<u>496,695</u>
<u>Net Change in Fund Balances</u>	<u>(38,115)</u>	<u>(4,058)</u>	<u>(45,291)</u>	<u>(5,017)</u>	<u>(92,481)</u>
<u>Fund Balances at Beginning of Year</u>	<u>23,306</u>	<u>131,601</u>	<u>(2,958)</u>	<u>35,983</u>	<u>187,932</u>
<u>Fund Balances at End of Year</u>	<u>\$ (14,809)</u>	<u>\$ 127,543</u>	<u>\$ (48,249)</u>	<u>\$ 30,966</u>	<u>\$ 95,451</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, 2023

Net Change in Fund Balance - Total Governmental Funds \$ (92,481)

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	\$ 595,116	
Gain (Loss) on sale of assets	(13,339)	
Less current year depreciation	<u>(170,311)</u>	411,466

Under the modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the net additional revenue associated with receivables recognized this year less the additional revenue from receivables recombined last year.

Lease receivable payments	55,038	
Recognized unearned income	<u>(55,500)</u>	(462)

Governmental funds report debt proceeds as income. However, debt proceeds do not affect net position in the government-wide Statement of Activities.

(347,062)

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.

37,454

Changes in Net Position of Governmental Activities **\$ 8,915**

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	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)	\$ 65,039	\$ 45,126	\$ 1,198	\$ 111,363
Unbilled revenue	10,072	7,784	183	18,039
Other receivables	5,834	-	-	5,834
Inventory	89,975	13,570	-	103,545
Prepaid expenses	2,545	2,018	-	4,563
Restricted assets				
Cash equivalents	-	179,596	-	179,596
Total Current Assets	<u>173,465</u>	<u>248,094</u>	<u>1,381</u>	<u>422,940</u>
<u>Noncurrent Assets</u>				
Land and work in progress	3,561	2,200	-	5,761
Depreciable capital assets, net	1,635,607	8,649,947	1,076	10,286,630
Total Noncurrent Assets	<u>1,639,168</u>	<u>8,652,147</u>	<u>1,076</u>	<u>10,292,391</u>
Total Assets	<u>1,812,633</u>	<u>8,900,241</u>	<u>2,457</u>	<u>10,715,331</u>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable	43,358	16,535	96	59,989
Meter deposits payable	44,457	-	-	44,457
Accrued employee benefits	5,634	4,405	-	10,039
Taxes withheld and accrued	2,843	1,613	-	4,456
Accrued payroll	1,910	1,167	-	3,077
Accrued interest payable	104	46,856	-	46,960
Long-term debt due in one year	18,579	107,426	-	126,005
Total Current Liabilities	<u>116,885</u>	<u>178,002</u>	<u>96</u>	<u>294,983</u>
<u>Noncurrent Liabilities</u>				
Long-term debt due after one year	155,048	4,186,600	-	4,341,648
Total Liabilities	<u>271,933</u>	<u>4,364,602</u>	<u>96</u>	<u>4,636,631</u>
<u>Deferred Inflows of Resources</u>				
Deferred revenue - grant	47,519	49,038	-	96,557
Total Deferred Inflows of Resources	<u>47,519</u>	<u>49,038</u>	<u>-</u>	<u>96,557</u>
<u>Net Position</u>				
Invested in capital assets, net of related debt	1,465,541	4,358,121	1,076	5,824,738
Restricted for debt service	-	179,596	-	179,596
Restricted for customer deposits	44,457	-	-	44,457
Unrestricted (deficit)	(16,817)	(51,116)	1,285	(66,648)
Total Net Position	<u>\$ 1,493,181</u>	<u>\$ 4,486,601</u>	<u>\$ 2,361</u>	<u>\$ 5,982,143</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, 2023

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Internet Nonmajor Fund	
<u>Operating Revenues</u>				
Charges for services	\$ 678,612	\$ 461,794	\$ 14,873	\$ 1,155,279
Total Operating Revenues	<u>678,612</u>	<u>461,794</u>	<u>14,873</u>	<u>1,155,279</u>
<u>Operating Expenses</u>				
Depreciation	81,833	328,378	589	410,800
Purchased water	279,680	-	-	279,680
Salaries and wages	166,745	100,898	-	267,643
Repairs and maintenance	52,966	44,448	2,769	100,183
Utilities	13,242	67,039	-	80,281
Contracted services	22,831	29,562	14,144	66,537
Employee benefits	27,588	14,267	-	41,855
Materials and supplies	1,477	41,933	-	43,410
Insurance	9,305	8,694	-	17,999
Professional	8,978	8,006	-	16,984
Taxes	19,807	11,522	-	31,329
Gasoline, oil and grease	4,953	7,282	-	12,235
Office supplies	654	5,125	-	5,779
Miscellaneous	4,000	725	-	4,725
Uniforms	546	215	-	761
Total Operating Expenses	<u>694,605</u>	<u>668,094</u>	<u>17,502</u>	<u>1,380,201</u>
<u>Income (Loss) from Operations</u>	<u>(15,993)</u>	<u>(206,300)</u>	<u>(2,629)</u>	<u>(224,922)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	518	518	-	1,036
Interest expense	(3,368)	(93,178)	-	(96,546)
Total Nonoperating Revenues (Expenses)	<u>(2,850)</u>	<u>(92,660)</u>	<u>-</u>	<u>(95,510)</u>
<u>Income (Loss) Before Contributions and Transfers</u>	<u>(18,843)</u>	<u>(298,960)</u>	<u>(2,629)</u>	<u>(320,432)</u>
Capital contributions	7,425	9,318	-	16,743
Transfers in (out)	12,204	35,518	2,445	50,167
<u>Change in Net Position</u>	<u>786</u>	<u>(254,124)</u>	<u>(184)</u>	<u>(253,522)</u>
<u>Net Position at Beginning of Year</u>	<u>1,486,579</u>	<u>4,740,725</u>	<u>2,545</u>	<u>6,229,849</u>
<u>Prior period adjustment (See Note 14)</u>	<u>5,816</u>	<u>-</u>	<u>-</u>	<u>5,816</u>
<u>Net Position at End of Year</u>	<u>\$ 1,493,181</u>	<u>\$ 4,486,601</u>	<u>\$ 2,361</u>	<u>\$ 5,982,143</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
			-	
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 673,687	\$ 461,425	\$ 14,941	\$ 1,150,053
Cash payments to suppliers for goods and services	(470,889)	(240,635)	(17,386)	(728,910)
Cash payments to employees for services	(165,485)	(98,503)	-	(263,988)
Net Cash Provided (Used) By Operating Activities	<u>37,313</u>	<u>122,287</u>	<u>(2,445)</u>	<u>157,155</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	12,204	35,517	2,445	50,166
Net Cash Provided (Used) By Noncapital Financing Activities	<u>12,204</u>	<u>35,517</u>	<u>2,445</u>	<u>50,166</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital contributions	7,425	9,318	-	16,743
Principal paid on debt	(18,567)	(105,036)	-	(123,603)
Acquisition of property, plant and equipment	(35,517)	(20,896)	-	(56,413)
Interest paid on debt	(3,376)	(95,108)	-	(98,484)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(50,035)</u>	<u>(211,722)</u>	<u>-</u>	<u>(261,757)</u>
<u>Cash Flows from Investing Activities</u>				
Income received on investments	518	518	-	1,036
Net Cash Provided (Used) By Investing Activities	<u>518</u>	<u>518</u>	<u>-</u>	<u>1,036</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	-	(53,400)	-	(53,400)
<u>Cash and Cash Equivalents at Beginning of Year</u>	-	232,996	-	232,996
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ -</u>	<u>\$ 179,596</u>	<u>\$ -</u>	<u>\$ 179,596</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>				
Operating income (loss)	\$ (15,993)	\$ (206,300)	\$ (2,629)	\$ (224,922)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	81,833	328,378	589	410,800
Change in assets and liabilities				
Decrease (increase) in accounts receivable	(12,673)	(369)	68	(12,974)
Decrease (increase) in prepayments	884	893	-	1,777
Decrease (increase) in inventory	(14,762)	1,835	-	(12,927)
Increase (decrease) in accounts payable	(10,987)	(4,545)	(473)	(16,005)
Increase (decrease) in accrued liabilities	9,011	2,395	-	11,406
Net Cash Provided (Used) By Operating Activities	<u>\$ 37,313</u>	<u>\$ 122,287</u>	<u>\$ (2,445)</u>	<u>\$ 157,155</u>
<u>Reconciliation of Total Cash</u>				
Current assets - cash	\$ -	\$ -	\$ -	\$ -
Restricted assets - cash	-	179,596	-	179,596
Total cash	<u>\$ -</u>	<u>\$ 179,596</u>	<u>\$ -</u>	<u>\$ 179,596</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, 2023

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, 2023

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, 2023

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, 2023

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, 2023.

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, 2023 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, 2023

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, 2023. 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, 2023

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 three items that qualifies for reporting in this category.

Deferred inflows related to unearned interest revenue are reported in the government-wide statement of net position. A deferred inflow from unearned interest revenue results from the interest portion of the lease receivable that will be recognized as an inflow of resources in the period that the amounts become available.

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 grants are reported in the government-wide statement of net position and governmental balance sheet. Coronavirus state and local fiscal recovery grant funds received are deferred and will be used in future periods.

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".

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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 \$9,293 to employee Simple IRA accounts for the year ending June 30, 2023.

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.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

- **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.
- **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, 2023, the GASB has issued the following pronouncements required to be adopted by the City.

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. There was no effect on the City's current 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). There was no effect on the City's current 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 assets - 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. There was no effect on the City's current financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022 and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(2) accounting and financial reporting for financial guarantees.

Recent Accounting Pronouncements

As of June 30, 2023, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. 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 31, 2024, the date which the financial statements were available to be issued.

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, 2023.

General Fund	\$ 60,668	Due to underbudgeted capital outlay expenses.
Tourism Fund	\$209,954	Due to underbudgeted operating expenses and capital outlay.

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

Deficit Fund Balances/Net Position

A fund balance deficit of \$14,809 exists in the general fund. The City has sufficient resources to cover the deficit as of May 31, 2024.

A fund balance deficit of \$48,249 exists in the capital projects fund. The City has sufficient resources to cover the deficit as of May 31, 2024.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 250	\$ 172,588	\$ -	\$ 172,838
Restricted assets				
Cash equivalents	-	188,922	-	188,922
Total	<u>\$ 250</u>	<u>\$ 361,510</u>	<u>\$ -</u>	<u>\$ 361,760</u>

B. Deposits

At year end, the carrying amount of the City's demand deposits were \$361,760 and the bank balance was \$373,993. These demand deposits were held in various financial institutions. Of the bank balance \$259,326 was covered by federal depository insurance and the remaining \$114,667 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 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, 2023, 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, \$0.296 per \$100 of assessed valuation of real property, and \$0.5942 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".

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023.

<u>Public Works - Restricted Assets</u>	
Public Works	\$ 5,340
 <u>Customer Deposits - Restricted Assets</u>	
Water - Customer deposits	44,457
 <u>Debt Requirement Restricted Assets</u>	
General - Bond reserve funds	9,326
Sewer - Bond reserve funds	179,596
Total Restricted Assets	<u>\$ 238,719</u>

6. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2023 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 265,350	\$ -	\$ (2,000)	\$ 263,350
Construction in progress	17,850	450,435	(14,990)	453,295
Total capital assets not being depreciated	283,200	450,435	(16,990)	716,645
Capital assets being depreciated:				
Infrastructure	221,020	-	(16,778)	204,242
Land improvements	2,253,626	-	-	2,253,626
Buildings	1,377,503	121,576	(56,562)	1,442,517
Furnishings, fixtures, and equipment	261,445	38,095	-	299,540
Vehicles	14,500	-	-	14,500
Total capital assets being depreciated	4,128,094	159,671	(73,340)	4,214,425
Less accumulated depreciation for:				
Infrastructure	(139,526)	(4,316)	7,594	(136,248)
Land improvements	(1,163,705)	(96,416)	-	(1,260,121)
Buildings	(839,505)	(52,372)	54,408	(837,469)
Furnishings, fixtures, and equipment	(234,558)	(16,506)	-	(251,064)
Vehicles	(12,249)	(701)	-	(12,950)
Total accumulated depreciation	(2,389,543)	(170,311)	62,002	(2,497,852)
Total capital assets being depreciated, net	1,738,551	(10,640)	(11,338)	1,716,573
Governmental activities capital assets, net	\$ 2,021,751	\$ 439,795	\$ (28,328)	\$ 2,433,218

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Business-type Activities

A summary of property, plant and equipment at June 30, 2023 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,761	\$ -	\$ -	\$ 5,761
Total capital assets not being depreciated	<u>5,761</u>	<u>-</u>	<u>-</u>	<u>5,761</u>
Capital assets being depreciated:				
Buildings and improvements	15,358,454	30,013	-	15,388,467
Machinery and equipment	476,212	27,399	-	503,611
Vehicles	148,151	-	-	148,151
Total capital assets being depreciated	<u>15,982,817</u>	<u>57,412</u>	<u>-</u>	<u>16,040,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,746,319)	(400,484)	-	(5,146,803)
Machinery and equipment	(447,329)	(10,316)	-	(457,645)
Vehicles	(148,151)	-	-	(148,151)
Total accumulated depreciation	<u>(5,341,799)</u>	<u>(410,800)</u>	<u>-</u>	<u>(5,752,599)</u>
Total capital assets being depreciated, net	<u>10,641,018</u>	<u>(353,388)</u>	<u>-</u>	<u>10,287,630</u>
Business-type activities capital assets, net	<u>\$ 10,646,779</u>	<u>\$ (353,388)</u>	<u>\$ -</u>	<u>\$ 10,293,391</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 115,253
Public safety	3,903
Public works	5,433
Culture and recreation	<u>45,722</u>
Total depreciation expense - governmental activities	<u>\$ 170,311</u>
Business-type activities:	
Water	\$ 81,833
Sewer	328,378
Internet	<u>589</u>
Total depreciation expense - business type activities	<u>\$ 410,800</u>

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

7. LEASES

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.

The following is a schedule of future minimum rentals under the lease agreements at June 30, 2023:

<u>June 30,</u>	<u>Principal</u>	<u>Lease Interest</u>	<u>Total</u>
2024	\$ 56,308	\$ 1,692	\$ 58,000
2025	24,199	239	24,438
Total	<u>\$ 80,507</u>	<u>\$ 1,931</u>	<u>\$ 82,438</u>

8. 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, 2023. 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.

9. 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, 2023, the governmental long-term debt consisted of the following:

Current portion general obligation bonds and notes	
Bond obligations	\$ 10,000
Note obligations	<u>26,564</u>
Total current portion	<u>36,564</u>
Noncurrent portion general obligation bonds and notes:	
Bond obligations	185,833
Note obligations	<u>82,680</u>
Total noncurrent portion	<u>268,513</u>
Total General Bond and Note Obligations	<u>\$ 305,077</u>

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

General Bonds Payable

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 4.20%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2023, is \$195,833.

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, 2023 the principal balance is \$32,355.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to city hall. The agreement was entered into on March 31, 2022, for the amount of \$100,000 with an interest rate of 4.00% and a maturity date of April 3, 2027. The loan calls for monthly payments of \$1,845. As of June 30, 2023 the principal balance is \$76,889.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to city hall and for construction of a new maintenance shop. The agreement was entered into in August 2022. The total amount to be financed is \$350,000 with an interest rate of 4.75%. The maturity date is projected to be August 11, 2027. As of June 30, 2023, \$347,062 of the \$350,000 had been received.

Business-Type Activities

As of June 30, 2023, the leases and notes payable from proprietary fund resources consisted of the following:

Current portion proprietary leases, notes and bonds:	
Note obligations	\$ 39,005
Bond obligations	<u>87,000</u>
Total current portion	<u>126,005</u>
Noncurrent portion proprietary leases, notes, and bonds	
Note obligations	176,648
Bond obligations	<u>4,165,000</u>
Total noncurrent portion	<u>4,341,648</u>
Total Proprietary Lease, Note, and Bond Obligations	<u>\$ 4,467,653</u>

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, 2023 is \$162,499.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 is \$53,154.

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, 2023 are \$4,252,000.

10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide debt activities for the year ended June 30, 2023 follows:

	<u>Balance</u> <u>June 30,</u> <u>2022</u>	<u>Proceeds</u>	<u>Retirement/ Reductions</u>	<u>Balance</u> <u>June 30,</u> <u>2023</u>	<u>Due</u> <u>in</u> <u>One Year</u>
<i><u>Governmental Activities</u></i>					
Leases payable:					
Kentucky Bond Corporation	\$ 205,833	\$ -	\$ 10,000	\$ 195,833	\$ 10,000
Notes payable:					
First Kentucky Bank - General	39,682	-	7,327	32,355	7,291
First Kentucky Bank - General	<u>97,016</u>	<u>-</u>	<u>20,127</u>	<u>76,889</u>	<u>19,273</u>
Total Governmental Activities	<u>342,531</u>	<u>-</u>	<u>37,454</u>	<u>305,077</u>	<u>36,564</u>
<i><u>Business Type Activities</u></i>					
Notes Payable:					
Kentucky Infrastructure Authority	175,393	-	12,894	162,499	12,991
First Kentucky Bank - Proprietary	79,362	-	26,208	53,154	26,014
Bonds Payable:					
Series 2015B	984,500	-	18,000	966,500	18,500
Series 2015A	<u>3,352,000</u>	<u>-</u>	<u>66,500</u>	<u>3,285,500</u>	<u>68,500</u>
Total Business-Type Activities	<u>4,591,255</u>	<u>-</u>	<u>123,602</u>	<u>4,467,653</u>	<u>126,005</u>
Total Primary Government	<u>\$ 4,933,786</u>	<u>\$ -</u>	<u>\$ 161,056</u>	<u>\$ 4,772,730</u>	<u>\$ 162,569</u>

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The annual debt service requirements to maturity for long-term debt as of June 30, 2023, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 162,569	\$ 107,665	\$ 270,234
2025	167,004	103,043	270,047
2026	153,079	97,956	251,035
2027	138,300	94,517	232,817
2028	124,886	91,423	216,309
2029-2033	662,698	413,222	1,075,920
2034-2038	680,695	334,689	1,015,384
2039-2043	672,500	257,288	929,788
2044-2048	765,500	175,444	940,944
2049-2053	871,000	82,350	953,350
2054-2055	374,500	4,185	378,685
Total	<u>\$ 4,772,731</u>	<u>\$ 1,761,782</u>	<u>\$ 6,534,513</u>

Total interest expense for the year ended June 30, 2023:

Governmental activities	\$ 10,052
Business-type activities	<u>96,546</u>
	<u>\$ 106,598</u>

11. 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, 2023 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

12. COMMITMENTS

The City entered into a contract with Waste Path Services, LLC beginning July 1, 2018, and ending June 30, 2022. This agreement was renewed for an additional four years in August 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 a contract agreement with Western Kentucky Framing, LLC in February 2023 for the construction of the new maintenance buildings. The total contracted quote was for \$392,991. as of June 30, 2023, payments totaling \$118,000 were made.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

13. 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, 2023 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<u>General Fund</u>	\$ 111,037	\$ -	\$ 111,037
<u>Special Revenue Funds</u>			
Municipal road aid	4,532	-	4,532
Tourism	-	4,102	(4,102)
Capital projects	-	62,923	(62,923)
ABC	1,623	-	1,623
<u>Business-type funds</u>			
Water Fund	-	12,204	(12,204)
Sewer Fund	-	35,518	(35,518)
Internet Fund	-	2,445	(2,445)
Total	<u>\$ 117,192</u>	<u>\$ 117,192</u>	<u>\$ -</u>

14. PRIOR PERIOD ADJUSTMENT

Correction of an Error

The City recognized a prior period adjustment in the government-wide statements for tourism capital outlay work-in-process that was expensed in the prior year.

The City recognized a prior period adjustment in the water fund to reclassify credit card fees that were previously coded to a liability account.

Governmental Funds

Government-Wide Statements

Net Position balance, July 1, 2022, as previously stated	\$ 1,856,871
Capital Outlay - Work-in-process	<u>14,990</u>
Net position balance July 1, 2022, restated	<u>\$ 1,871,861</u>

Proprietary Funds

Water Fund

Fund balance, July 1, 2022, as previously stated	\$ 1,486,579
Credit card fees	<u>5,816</u>
Fund balance July 1, 2022, restated	<u>\$ 1,492,395</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, 2023

	<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	\$ 272,500	\$ 272,500	\$ 282,916	\$ 10,416
Franchise and other	45,750	45,750	25,432	(20,318)
Occupational	-	-	8,531	8,531
Charges for services	110,000	110,000	91,261	(18,739)
Miscellaneous	58,750	58,750	54,653	(4,097)
Rental income	10,500	10,500	27,739	17,239
Cemetery income	-	-	3,300	3,300
Interest income	50	50	508	458
Total revenues	<u>497,550</u>	<u>497,550</u>	<u>494,340</u>	<u>(3,210)</u>
<u>Expenditures</u>				
General government	317,327	317,327	300,856	16,471
Public works	87,000	87,000	93,285	(6,285)
Culture and recreation	90,350	90,350	58,040	32,310
Debt service	56,273	56,273	47,507	8,766
Capital outlay	9,600	9,600	121,530	(111,930)
Total expenditures	<u>560,550</u>	<u>560,550</u>	<u>621,218</u>	<u>(60,668)</u>
<u>Excess (Deficiency) of Revenues Over</u>				
<u>Expenditures</u>	<u>(63,000)</u>	<u>(63,000)</u>	<u>(126,878)</u>	<u>(63,878)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of assets	-	-	199,800	199,800
Transfers in(out)	63,000	63,000	(111,037)	(174,037)
Total other financing sources (uses)	<u>63,000</u>	<u>63,000</u>	<u>88,763</u>	<u>25,763</u>
<u>Net Change in Fund Balances</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(38,115)</u>	<u>\$ (38,115)</u>
<u>Fund Balances at Beginning of Year</u>			<u>23,306</u>	
<u>Fund Balances at End of Year</u>			<u>\$ (14,809)</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, 2023

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 206,400	\$ 206,400	\$ 312,614	\$ 106,214
Miscellaneous	11,550	11,550	84,337	72,787
Rental income	40,000	40,000	37,738	(2,262)
Intergovernmental	3,000	3,000	28,043	25,043
Interest income	-	-	12	12
Total revenues	<u>260,950</u>	<u>260,950</u>	<u>462,744</u>	<u>201,794</u>
<u>Expenditures</u>				
Culture and recreation	260,950	260,950	447,752	(186,802)
Capital outlay	-	-	23,152	(23,152)
Total expenditures	<u>260,950</u>	<u>260,950</u>	<u>470,904</u>	<u>(209,954)</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	-	-	(8,160)	(8,160)
<u>Other Financing Sources (Uses)</u>				
Transfers in (out)	-	-	4,102	4,102
<u>Net Change in Fund Balances</u>	<u>\$ -</u>	<u>\$ -</u>	(4,058)	<u>\$ (4,058)</u>
<u>Fund Balances at Beginning of Year</u>			<u>131,601</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 127,543</u>	

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF GRAND RIVERS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds			Total Non-Major Governmental Funds
	Municipal Aid	ABC Fund	LGEA Fund	
<u>Assets</u>				
Cash equivalents	\$ -	\$ 41,294	\$ -	\$ 41,294
Regulatory fees receivable	-	6,814	-	6,814
Intergovernmental receivable	5,340	-	-	5,340
Due from other funds	-	12,586	-	12,586
	<u>\$ 5,340</u>	<u>\$ 60,694</u>	<u>\$ -</u>	<u>\$ 66,034</u>
<u>Total Assets</u>				
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 34,521	\$ -	\$ 34,521
Taxes withheld and accrued	-	547	-	547
	<u>-</u>	<u>35,068</u>	<u>-</u>	<u>35,068</u>
Total Liabilities	<u>-</u>	<u>35,068</u>	<u>-</u>	<u>35,068</u>
<u>Fund Balances</u>				
Assigned for				
Alcoholic beverage control	-	25,626	-	25,626
Restricted for				
Public works	5,340	-	-	5,340
	<u>5,340</u>	<u>25,626</u>	<u>-</u>	<u>30,966</u>
Total Fund Balances	<u>5,340</u>	<u>25,626</u>	<u>-</u>	<u>30,966</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 5,340</u>	<u>\$ 60,694</u>	<u>\$ -</u>	<u>\$ 66,034</u>

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, 2023

	Special Revenue Funds			Total Other Governmental Funds
	Municipal Aid	ABC Fund	LGEA Fund	
<u>Revenues</u>				
Regulatory fees	\$ -	\$ 90,298	\$ -	\$ 90,298
Intergovernmental revenue	7,980	-	14,758	22,738
Total Revenues	7,980	90,298	14,758	113,036
<u>Expenditures</u>				
Public safety	-	97,140	-	97,140
Public works	-	-	4,427	4,427
Culture and recreation	-	-	10,331	10,331
Total Expenditures	-	97,140	14,758	111,898
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	7,980	(6,842)	-	1,138
<u>Other Financing Sources (Uses)</u>				
Transfers in (out)	(4,532)	(1,623)	-	(6,155)
<u>Net Change in Fund Balances</u>	3,448	(8,465)	-	(5,017)
<u>Fund Balances - Beginning of Year</u>	1,892	34,091	-	35,983
<u>Fund Balances - End of Year</u>	\$ 5,340	\$ 25,626	\$ -	\$ 30,966

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, 2023, 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 31, 2024.

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 (Items 2023-1, 2023-2, 2023-3, 2023-4, 2023-5).

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.

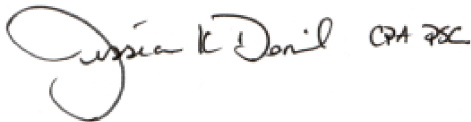
We also noted certain matters that we reported to management of the City of Grand Rivers, Kentucky, in a separate letter dated May 31, 2024.

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.

Eddyville, Kentucky
May 31, 2024

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-1: Segregation of Duties

Criteria: The City is expected to establish and maintain effective segregation of duties to prevent and detect errors, fraud, and misappropriation of assets.

Condition: Upon examination, it was identified that certain key financial tasks, such as authorization, custody, and recording of transactions, are not adequately segregated among different individuals within the organization. Specifically, individuals are performing incompatible duties without appropriate oversight or review.

Cause: The lack of segregation of duties may stem from staffing limitations, inadequate supervision, or ineffective internal controls. It could also result from a lack of understanding of the importance of segregation of duties in mitigating risks and safeguarding assets.

Effect: The absence of segregation of duties increases the risk of errors, unauthorized activities, and fraudulent behavior. It compromises the reliability and integrity of financial reporting, undermines internal controls, and exposes the City to potential financial losses and reputation damage.

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, revise its internal control structure to establish clear segregation of duties among employees involved in financial processes. This should involve restructuring roles and responsibilities, implementing oversight mechanisms, and enhancing staff training on the importance of segregation of duties.

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.

Pending Corrective Action: Management is advised to prioritize the implementation of effective segregation of duties to strengthen internal controls and mitigate the risk of errors, fraud, and misappropriation within the organization.

2023-2: Lack of Budget for Major Fund

Criteria: The City is expected to establish and maintain comprehensive budgets for all major funds to ensure effective financial management and resource allocation.

Condition: The City of Grand Rivers, Kentucky does not have a designated budget in place for its major fund, Capital Projects, as observed during the audit period.

Cause: The absence of a budget for the major fund may be attributed to inadequate financial planning processes, lack of oversight, or failure to prioritize budgeting for specific funds within the organization.

Effect: Without a clearly defined budget, there is a heightened risk of financial mismanagement, improper utilization of funds, potential overspending, and a lack of accountability in resource allocation practices.

Recommendation: It is recommended that the City promptly establishes a detailed budgeting process specifically tailored to the Capital Projects Fund. This process should include comprehensive planning, forecasting, and monitoring mechanisms to ensure prudent financial management and compliance with regulatory requirements.

Response: The City of Grand Rivers, Kentucky's Council and management will create a budget for all major funds going forward.

Pending Corrective Action: Management is encouraged to take immediate steps to rectify this deficiency and strengthen the City's financial governance framework to mitigate associated risks.

2023-3: Unrecorded and Unreconciled Bank Activity

Criteria: The City is expected to accurately record all financial transactions and reconcile bank statements in a timely manner to ensure the integrity of financial reporting and internal controls.

Condition: During the audit period, it was identified that certain bank activities, including deposits, withdrawals, and transfers, have not been recorded in the City's financial records. Additionally, bank statements for the BNY Mellon account have not been reconciled with the City's accounting records.

Cause: The lack of recording and reconciliation may stem from inadequate processes or oversight in the City's accounting and financial management practices. It could also result from personnel turnover, insufficient training, or system limitations.

Effect: Failure to record and reconcile bank activity increases the risk of errors, misstatements, and discrepancies in financial reporting. It undermines the accuracy and reliability of financial information, potentially leading to incorrect decision-making and regulatory compliance issues.

Recommendation: It is recommended that the City promptly implements robust procedures for recording all bank transactions in its accounting system and conducts regular reconciliations of bank statements with internal records. This should involve assigning responsibilities, enhancing training programs, and leveraging automation tools where feasible.

Response: The City of Grand Rivers, Kentucky's Council and management will ensure that all bank activity for all accounts is entered and reconciled timely.

Pending Corrective Action: Management is urged to prioritize the implementation of comprehensive recording and reconciliation procedures to ensure the accuracy and reliability of financial reporting and internal controls.

2023-4: Unrecorded Loan Draw and Land Purchase

Criteria: The City is expected to accurately record all financial transactions, including loan draws and land purchases, to maintain transparency, accountability, and compliance with regulatory requirements.

Condition: During the audit period, it was discovered that a loan draw was taken for the purpose of financing a land purchase, but neither the loan draw nor the subsequent land purchase was recorded in the organization's financial records.

Cause: The failure to record the loan draw and land purchase may be attributed to oversight, inadequate internal controls, or lack of communication between relevant departments responsible for financial transactions and accounting.

Effect: The omission of recording the loan draw and land purchase could lead to inaccurate financial reporting, misrepresentation of liabilities, and non-compliance with accounting standards. Additionally, it may hinder the City's ability to effectively manage its debt obligations and assess its financial position accurately.

Recommendation: It is recommended that the City promptly records the loan draw and land purchase in its financial records, ensuring that all relevant details are accurately documented. Additionally, the City should review and strengthen its internal controls and communication protocols to prevent similar discrepancies in the future.

Response: A proposed journal entry was approved by City of Grand Rivers, Kentucky's management and was recorded as an audit adjustment.

Pending Corrective Action: Management is advised to record all the loan draws accurately and reconcile outstanding debt. This will enhance internal controls, and improve communication channels to prevent recurrence of such omissions in financial reporting.

2023-5: Underfunded Debt Reserve

Criteria: The City is expected to maintain adequate reserves for debt obligations to mitigate financial risks and ensure liquidity to meet its financial commitments.

Condition: Upon review, it was identified that the debt reserve account maintained by the organization is underfunded relative to its outstanding debt obligations. The City is required to deposit \$1,760 per month into a debt reserve account until a balance of \$211,200 is maintained.

Cause: The underfunding of the debt reserve account may be attributed to inadequate financial planning, unforeseen changes in market conditions, or failure to adjust reserve levels in response to changes in the organization's financial position or risk profile.

Effect: The underfunded debt reserve account exposes the organization to heightened financial risk, including potential liquidity shortages, credit rating downgrades, and increased borrowing costs.

Recommendation: It is recommended that the City promptly assesses the adequacy of its debt reserve account and takes corrective actions to ensure sufficient funding levels. This may involve reallocating resources, revising debt management strategies, or implementing risk mitigation measures to strengthen the City's financial position and resilience.

Response: The City is aware of the deficit in the debt reserve account and will develop a plan to fund the account.

Pending Corrective Action: Management is urged to prioritize the replenishment of the debt reserve account to mitigate financial risks.

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

2022-1: 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.