

CITY OF LEWISPORT, KENTUCKY
FINANCIAL STATEMENTS
AND
ACCOMPANYING INFORMATION
JUNE 30, 2022

CITY OF LEWISPORT, KENTUCKY
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June 30, 2022

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Lewisport, Kentucky

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lewisport, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lewisport, Kentucky's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Unmodified
General Fund	Unmodified
Gas System Fund	Unmodified
Water System Fund	Unmodified
Sewer System Fund	Unmodified

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Lewisport, Kentucky as of June 30, 2022, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, the General Fund, the Gas System Fund, Water System, Fund, and the Sewer System Fund

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the General Fund, the Gas System Fund, Water System, Fund, and the Sewer System Fund as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lewisport, 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

The City did not report donated property in the governmental activities in accordance with GASB 72, which states it is required to be reported at acquisition value. The amount by which the departure would affect assets, net position and revenues of the governmental activities has not been determined.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 34 and the pension and OPEB schedules on pages 35-38 and notes to required supplementary information on pages 39-40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on September 7, 2023 our consideration of City of Lewisport, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lewisport, Kentucky's internal control over financial reporting and compliance.

Altitude & Company CPAs PSC

Owensboro, Kentucky
September 7, 2023

CITY OF LEWISPORT, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 442,163	\$ 1,105,504	\$ 1,547,667
Receivables, net:			
Taxes	2,864	-	2,864
Accounts - trade	-	103,592	103,592
Miscellaneous	37,964	10,075	48,039
Due from other funds	82	-	82
Inventories	-	145,799	145,799
Prepaid expenses	4,760	24,174	28,934
Total current assets	487,833	1,389,144	1,876,977
Noncurrent Assets			
Restricted cash	-	199,055	199,055
Capital assets:			
Land and construction in progress	130,803	614,587	745,390
Other capital assets, net of depreciation	1,284,741	5,092,813	6,377,554
Total noncurrent assets	1,415,544	5,906,455	7,321,999
Total assets	1,903,377	7,295,599	9,198,976
Deferred Outflows of Resources			
Deferred amounts related to OPEB	74,839	190,423	265,262
Deferred amounts related to pensions	70,712	147,045	217,757
Total deferred outflows of resources	145,551	337,468	483,019
LIABILITIES			
Current Liabilities			
Accounts payable	16,978	76,275	93,253
Accrued expenses	-	3,571	3,571
Accrued wages payable	30,239	20,120	50,359
Due to other funds	-	82	82
Unearned revenue	-	16,514	16,514
Lease payable	6,884	35,535	42,419
Notes payable	-	17,372	17,372
Total current liabilities	54,101	169,469	223,570
Noncurrent Liabilities			
Meter deposits	-	189,005	189,005
Compensated absences	71,269	24,658	95,927
Lease payable	3,544	192,586	196,130
Note payable	-	345,653	345,653
Net OPEB liability	122,214	342,134	464,348
Net pension liability	407,108	1,139,657	1,546,765
Total noncurrent liabilities	604,135	2,233,693	2,837,828
Total liabilities	658,236	2,403,162	3,061,398
Deferred Inflows of Resources			
Debt issuance cost, net of amortization	-	2,030	2,030
Deferred amounts related to OPEB	59,508	166,585	226,093
Deferred amounts related to pensions	60,494	169,346	229,840
Total deferred inflows of resources	120,002	337,961	457,963
NET POSITION			
Net investment in capital assets	1,405,116	5,114,225	6,519,341
Restricted	28,340	-	28,340
Unrestricted	(162,766)	(222,281)	(385,047)
Total net position	\$ 1,270,690	\$ 4,891,944	\$ 6,162,634

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 271,634	\$ -	\$ 529,479	\$ -	\$ 257,845	\$ -	\$ 257,845
Public safety	321,935	222	43,494	-	(278,219)	-	(278,219)
Highways and streets	4,723	-	-	31,313	26,590	-	26,590
Planning and zoning	10,000	-	-	-	(10,000)	-	(10,000)
Culture and recreation	94,153	-	-	-	(94,153)	-	(94,153)
Depreciation unallocated	121,417	-	-	-	(121,417)	-	(121,417)
Total governmental activities	<u>823,862</u>	<u>222</u>	<u>572,973</u>	<u>31,313</u>	<u>(219,354)</u>	<u>-</u>	<u>(219,354)</u>
Business-type Activities							
Gas	1,115,962	1,258,246	-	265,553	-	407,837	407,837
Water	608,780	583,741	-	36,632	-	11,593	11,593
Sewer	493,990	352,081	-	-	-	(141,909)	(141,909)
Total business-type activities	<u>2,218,732</u>	<u>2,194,068</u>	<u>-</u>	<u>302,185</u>	<u>-</u>	<u>277,521</u>	<u>277,521</u>
Total Primary Government	<u>\$ 3,042,594</u>	<u>\$ 2,194,290</u>	<u>\$ 572,973</u>	<u>\$ 333,498</u>	<u>(219,354)</u>	<u>277,521</u>	<u>58,167</u>
		General Revenues					
		Property taxes			153,366	-	153,366
		Franchise taxes			23,997	-	23,997
		Insurance premium tax			162,227	-	162,227
		Interest income			193	7,639	7,832
		Miscellaneous			58,536	-	58,536
		Transfers			104,515	(104,515)	-
		Total General Revenues and Transfers			<u>502,834</u>	<u>(96,876)</u>	<u>405,958</u>
		Changes in Net Position			283,480	180,645	464,125
		Net Position - Beginning of Year			987,210	4,711,299	5,698,509
		Net Position - End of Year			<u>\$ 1,270,690</u>	<u>\$ 4,891,944</u>	<u>\$ 6,162,634</u>

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2022**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 442,163
Receivables:	
Taxes, net	2,864
Miscellaneous	37,962
Due from other funds	82
Prepaid expenses	4,760
	4,760
Total assets	\$ 487,831
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 16,978
Accrued wages	30,239
	47,217
Total liabilities	47,217
 Fund balance	
Restricted	28,340
Assigned	51,949
Unassigned	360,325
	440,614
Total fund balances	440,614
Total liabilities and fund balance	\$ 487,831

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2022

Total Governmental Fund Balance \$ 440,614

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

Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds.

Gross capital assets	3,620,021	
Accumulated depreciation	<u>(2,204,477)</u>	1,415,544

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds.

Deferred outflows of resources	70,712	
Deferred inflows of resources	<u>(60,494)</u>	10,218

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and therefore are not reported in the governmental funds.

Deferred outflows of resources	74,839	
Deferred inflows of resources	<u>(59,508)</u>	15,331

Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.

Compensated absences	(71,267)	
Lease payable	(10,428)	
Net OPEB liability	(122,214)	
Net pension liability	<u>(407,108)</u>	<u>(611,017)</u>

Total Net Position of Governmental Activities \$ 1,270,690

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
June 30, 2022

	General Fund
Revenues	
Property taxes	\$ 153,366
Insurance premium tax	162,227
Franchise taxes	23,997
Intergovernmental:	
Federal and state grants	505,782
County grants	60,000
State highway grants	31,313
Local government economic assistance	1,900
HB413 revenue	5,291
Interest income	193
Miscellaneous	54,958
Total revenues	999,027
 Expenditures	
Current:	
General government	293,046
Public safety	338,105
Highways and streets	4,723
Planning and zoning	10,000
Culture and recreation	94,153
Debt service:	
Principal	6,621
Interest	547
Capital outlay	73,662
Total expenditures	820,857
 Deficiency of revenues over expenditures	178,170
 Other Financing Sources (Uses)	
Transfers in	158,650
Transfers out	(54,135)
Total other financing sources (uses)	104,515
 Change in fund balance	282,685
 Fund balance, June 30, 2021	157,929
 Fund balance, June 30, 2022	\$ 440,614

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Change in Fund Balance - Governmental Fund \$ 282,685

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	73,662	
Depreciation expense	<u>(121,417)</u>	(47,755)

Capital leases provide current financial resources to governmental funds, while the repayment of the capital lease consumes the current financial resources of governmental funds. In the Statement of Activities, neither transaction has any effect on the change in net position.

Payments on capital lease	<u>6,621</u>	6,621
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Governmental funds report pension contributions as expenditures when made. In the Statement of Net Position, pension and OPEB contributions are reported as deferred outflows of resources because the reported net pension and OPEB liability is measured one year before the City's report date. Pension and OPEB expense, which is the change in net pension and OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities.

	<u>37,534</u>	37,534
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Certain expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	<u>4,395</u>	<u>4,395</u>
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Change in Net Position of Governmental Activities **\$ 283,480**

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 431,057	\$ 645,536	\$ 28,911	\$ 1,105,504
Receivables:				
Trade	26,420	48,245	28,927	103,592
Miscellaneous	10,075	-	-	10,075
Inventories	96,751	31,393	17,655	145,799
Prepaid expenses	13,652	6,035	4,487	24,174
Total current assets	<u>577,955</u>	<u>731,209</u>	<u>79,980</u>	<u>1,389,144</u>
Noncurrent assets				
Restricted cash	158,160	40,895	-	199,055
Capital assets:				
Land and construction in progress	473,690	137,637	3,260	614,587
Other capital assets, net of depreciation	1,355,139	1,213,657	2,524,017	5,092,813
Total noncurrent assets	<u>1,986,989</u>	<u>1,392,189</u>	<u>2,527,277</u>	<u>5,906,455</u>
Total assets	<u>2,564,944</u>	<u>2,123,398</u>	<u>2,607,257</u>	<u>7,295,599</u>
Deferred outflows of resources				
Deferred amounts related to OPEB	84,367	61,425	44,631	190,423
Deferred amounts related to pensions	63,893	48,106	35,046	147,045
Total deferred outflows of resources	<u>148,260</u>	<u>109,531</u>	<u>79,677</u>	<u>337,468</u>
LIABILITIES				
Current liabilities				
Accounts payable	49,895	9,865	16,515	76,275
Accrued expenses	1,173	2,398	-	3,571
Accrued wages payable	8,332	7,524	4,264	20,120
Due to other funds	82	-	-	82
Unearned revenue	16,364	103	47	16,514
Lease payable	35,535	-	-	35,535
Note payable	-	11,524	5,848	17,372
Total current liabilities	<u>111,381</u>	<u>31,414</u>	<u>26,674</u>	<u>169,469</u>
Noncurrent liabilities				
Meter deposits	148,110	40,895	-	189,005
Compensated absences	12,433	7,012	5,213	24,658
Lease payable	192,586	-	-	192,586
Note payable	-	207,841	137,812	345,653
Net OPEB liability	152,772	109,726	79,636	342,134
Net pension liability	508,886	365,501	265,270	1,139,657
Total noncurrent liabilities	<u>1,014,787</u>	<u>730,975</u>	<u>487,931</u>	<u>2,233,693</u>
Total liabilities	<u>1,126,168</u>	<u>762,389</u>	<u>514,605</u>	<u>2,403,162</u>
Deferred inflows of resources				
Debt issuance costs, net of amortization	2,030	-	-	2,030
Deferred amounts related to OPEB	74,385	53,425	38,775	166,585
Deferred amounts related to pensions	75,617	54,311	39,418	169,346
Total deferred inflows of resources	<u>152,032</u>	<u>107,736</u>	<u>78,193</u>	<u>337,961</u>
NET POSITION				
Net investment in capital assets	1,598,678	1,131,930	2,383,617	5,114,225
Unrestricted	(163,674)	230,874	(289,481)	(222,281)
Total net position	<u>\$ 1,435,004</u>	<u>\$ 1,362,804</u>	<u>\$ 2,094,136</u>	<u>\$ 4,891,944</u>

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2022

	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 1,242,073	\$ 574,875	\$ 345,664	\$ 2,162,612
Miscellaneous revenue	16,173	8,866	6,417	31,456
Total operating revenues	<u>1,258,246</u>	<u>583,741</u>	<u>352,081</u>	<u>2,194,068</u>
Operating Expenses				
Chemicals	-	74,605	2,286	76,891
Depreciation expense	72,283	68,111	144,676	285,070
Education and training	2,858	4,049	141	7,048
Insurance	20,782	11,904	6,061	38,747
Miscellaneous	18,886	8,928	10,405	38,219
Natural gas purchases and transportation	476,338	-	-	476,338
Office supplies	10,768	7,029	3,365	21,162
Professional and legal fees	6,763	6,763	5,663	19,189
Quality testing	-	3,431	16,724	20,155
Repairs and maintenance	30,157	86,453	15,327	131,937
Salaries and benefits	410,719	291,805	227,371	929,895
Telephone	14,778	-	-	14,778
Utilities	29,391	25,835	55,477	110,703
Vehicles expense	15,747	13,147	6,494	35,388
Total operating expenses	<u>1,109,470</u>	<u>602,060</u>	<u>493,990</u>	<u>2,205,520</u>
Operating income (loss)	<u>148,776</u>	<u>(18,319)</u>	<u>(141,909)</u>	<u>(11,452)</u>
Non-operating Revenues and Expenses				
Capital grants	265,553	36,632	-	302,185
Interest income	1,599	6,015	25	7,639
Interest expense	(6,492)	(6,720)	-	(13,212)
Total non-operating revenues and expenses	<u>260,660</u>	<u>35,927</u>	<u>25</u>	<u>296,612</u>
Income (Loss) Before Capital Contributions and Transfers	409,436	17,608	(141,884)	285,160
Transfers in	60,945	51,802	44,169	156,916
Transfers out	<u>(227,610)</u>	<u>(18,144)</u>	<u>(15,677)</u>	<u>(261,431)</u>
Change in Net Position	242,771	51,266	(113,392)	180,645
Net Position, June 30, 2021	<u>1,192,233</u>	<u>1,311,538</u>	<u>2,207,528</u>	<u>4,711,299</u>
Net Position, June 30, 2022	<u>\$ 1,435,004</u>	<u>\$ 1,362,804</u>	<u>\$ 2,094,136</u>	<u>\$ 4,891,944</u>

See accompanying notes.

CITY OF LEWISPORT, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2022

	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,270,536	\$ 587,766	\$ 356,227	\$ 2,214,529
Cash payments to suppliers of goods or services	(664,609)	(242,966)	(111,260)	(1,018,835)
Cash payments to employees for services	(468,394)	(278,507)	(219,849)	(966,750)
Net cash provided by (used in) operating activities	<u>137,533</u>	<u>66,293</u>	<u>25,118</u>	<u>228,944</u>
Cash Flows from Noncapital Financing Activities				
Transfers in from other funds	60,945	51,802	44,169	156,916
Transfers to other funds	(227,610)	(18,144)	(15,677)	(261,431)
Net cash provided by (used in) noncapital financing activities	<u>(166,665)</u>	<u>33,658</u>	<u>28,492</u>	<u>(104,515)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(306,449)	(36,632)	3,853	(339,228)
Proceeds from notes payable	80,695	-	(11,538)	69,157
Principal paid on capital leases	32,586	-	-	32,586
Principal paid on notes payable	-	(11,523)	-	(11,523)
Capital grants	265,553	36,632	-	302,185
Interest paid on debt	(6,492)	(6,720)	-	(13,212)
Net cash provided by (used in) capital and related financing activities	<u>65,893</u>	<u>(18,243)</u>	<u>(7,685)</u>	<u>39,965</u>
Cash Flows from Investing Activities				
Interest income	1,599	6,015	25	7,639
Net cash provided by (used in) operating activities	<u>1,599</u>	<u>6,015</u>	<u>25</u>	<u>7,639</u>
Net increase (decrease) in cash and cash equivalents	38,360	87,723	45,950	172,033
Cash and cash equivalents - beginning	550,857	598,708	(17,039)	1,132,526
Cash and cash equivalents - ending	<u>\$ 589,217</u>	<u>\$ 686,431</u>	<u>\$ 28,911</u>	<u>\$ 1,304,559</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 148,776	\$ (18,319)	\$ (141,909)	\$ (11,452)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	72,283	68,111	144,676	285,070
Decrease (increase) in assets				
Accounts receivable	3,900	3,156	4,357	11,413
Inventories	(56,246)	(2,909)	(347)	(59,502)
Prepaid expenses	(1,825)	932	547	(346)
Deferred outflows of resources	53,676	33,860	21,271	108,807
Increase (decrease) in liabilities				
Accounts payable	20,341	997	10,483	31,821
Accrued expenses	(411)	158	(187)	(440)
Accrued wages payable	(564)	1,368	(211)	593
Unearned revenue	3,425	(226)	-	3,199
Meter deposits	4,965	1,095	-	6,060
Compensated absences	(2,642)	(1,490)	(1,108)	(5,240)
Net OPEB liability	(40,504)	(26,944)	(15,484)	(82,932)
Net pension liability	(105,200)	(68,735)	(36,953)	(210,888)
Deferred inflows of resources	37,559	75,239	39,983	152,781
Total Adjustments	<u>(11,243)</u>	<u>84,612</u>	<u>167,027</u>	<u>240,396</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 137,533</u>	<u>\$ 66,293</u>	<u>\$ 25,118</u>	<u>\$ 228,944</u>

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lewisport, Kentucky (City) was incorporated on February 27, 1844, under the provisions of the Commonwealth of Kentucky. The City operates under a mayor-council form of government and provides the following services: public safety – police and fire; streets; culture and recreation; public improvements; planning and zoning; general administrative services; and water, and sewer operations. As required by accounting principles generally accepted in the United States of America (GAAP), the financial statements of the reporting entity include those of the City of Lewisport (the primary government).

Financial Reporting Entity

The City of Lewisport is a municipality governed by a mayor and six-member council. The City, for financial reporting purposes, includes all of the funds relevant to the operations of the City of Lewisport. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Lewisport.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

1. Gas System – This fund accounts for the operations, maintenance, and development of natural gas distribution lines.
2. Water System - This fund accounts for the operation, maintenance, and development of the water plant and water distribution lines.
3. Sewer System - This fund accounts for the operation, maintenance, and development of the sewage treatment plant and sewage lines.

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, 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.

Fund Financial Statements

The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

The City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash.

Management 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, liabilities, fund balances, 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.

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The City maintains a capitalization threshold of \$5,000.

General infrastructure assets acquired prior to July 1, 2001 are not reported in the basic financial statements. General infrastructure assets include all roads, road improvements, and other infrastructure assets acquired subsequent to July 1, 2001.

Depreciation is provided in the government-wide financial statements in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. Depreciation is recorded as an unallocated expense in the Statement of Activities. The service lives by type of asset are as follows:

Buildings and improvements	40 years
Land improvements	20 years
Distribution/collection systems	10 - 50 years
Vehicles	5 - 15 years
Furniture and fixtures	3 - 10 years
Equipment	5 - 10 years

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted assets are those assets that do not meet the definition of "restricted" or "net investment in capital assets".

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Property tax receivables in the General Fund and trade receivables in the Gas System are shown net of allowances of \$116 and \$2,240, respectively, for uncollectible accounts. No provision is made for uncollectible water and sewer bills due to management's position that any uncollectible accounts would be insignificant. Bad debts are written off annually.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Compensated Absences

The City allows employees to accumulate unused vacation and sick leave until termination or retirement. Upon termination for any cause, the City pays up to a maximum of sixty-five days of vacation leave, but the employee is not compensated for unused sick leave. Any vacation days accumulated in excess of sixty-five days and unused sick leave will be forfeited by the employee. The City only accrues unused vacation pay.

Inventory

The City records inventory for materials and supplies used for routine maintenance and repairs. The inventories are valued at cost using the FIFO (first in-first out) method or net realizable value, whichever is lower. Inventory reported by the Gas System also includes natural gas purchased and stored prior to year-end and is recorded using the weighted average cost of gas method.

Allocation of Indirect Expenses

Expenses that are not specifically related to an individual fund are allocated. Those expenses include salaries, employee benefits, insurance, operating supplies, office supplies, postage, truck expenses, and other expenses. Those allocations are based on time spent in the General Fund, Gas System, Water System, and Sewer System, as estimated by the City Administrator.

Fund Balance

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepayments) 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 LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance, (continued)

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose.

The City did not establish any fund balance commitments for the fiscal year. Assigned fund balance is established by the Mayor through adoption or amendment of the budget as intended for a specific purpose. Unrestricted and unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

Interfund Activity

Interfund receivables and payables may arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Amounts owed between funds within the business-type activities are eliminated in the government-wide Statement of Net Position. Amounts not expected to be repaid are considered transfers.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses using the consumption method.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred amounts related to pensions and OPEB in the Statement of Net Position in this category. Deferred amounts related to pensions and OPEB include pension and OPEB contributions made during the current fiscal year but applicable to a future measurement period of the net pension and OPEB liability.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports the deferred amount related to pensions and OPEB in the Statement of Net Position in this category.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions and Other Postemployment Benefits (“OPEB”)

For the purpose of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB and pension expense and OPEB, information about the fiduciary net position of the County Employees Retirement System (CERS) of the Kentucky Retirement System (KRS), have been determined on the same basis as they are reported by KRS for the CERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms of the CERS Plan of Kentucky.

New Financial Reporting Standards

In June 2017, GASB issued Statement No 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement; a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for periods beginning after December 15, 2020. On May 8, 2020 the GASB, in light of the COVID-19 pandemic, provided temporary relief to governments by postponing the effective date to fiscal years beginning after June 15, 2021. The City implemented this new standard during the period.

NOTE B - DEPOSITS AND INVESTMENTS

Statutes authorize the City to invest in certificates of deposit, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The governing body has not formally adopted deposit and investment policies that limit the City's allowable deposits or investments and address the specific types of risk to which it is exposed.

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. At June 30, 2022, the reported amount of the City's deposits was \$1,746,722 and the bank balance was \$1,569,744. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. All of the City's deposits were either insured or collateralized with securities pledged by their financial institution.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE B - DEPOSITS AND INVESTMENTS (CONTINUED)

Restricted Cash

Proprietary Funds are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding liabilities, such as meter deposits. Certificates of deposit used as loan collateral are also considered restricted. For purposes of the Statement of Cash Flows, the Proprietary Funds consider all certificates of deposit to be cash equivalents. Cash and cash equivalents at June 30, 2022 consisted of the following:

	Gas System	Water System	Sewer System	Total
Cash	\$ 431,057	\$ 645,536	\$ 28,911	\$ 1,105,504
Restricted Cash	158,160	40,895	-	199,055
	<u>\$ 589,217</u>	<u>\$ 686,431</u>	<u>\$ 28,911</u>	<u>\$ 1,304,559</u>

NOTE C - CONCENTRATION OF CREDIT RISK

The City operates and grants credit to customers in Lewisport, Kentucky, located in Western Kentucky. The region is highly dependent on aluminum and farming production. One financial instrument that potentially subjects the City to credit risk is accounts receivable. Accounts receivable are not collateralized.

NOTE D - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

Governmental Activities	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not depreciated:				
Land	\$ 130,803	\$ -	\$ -	\$ 130,803
Construction in progress	-	-	-	-
Total capital assets not depreciated:	<u>130,803</u>	<u>-</u>	<u>-</u>	<u>130,803</u>
Capital assets depreciated:				
Buildings and improvements	1,582,152	19,574	-	1,601,726
Equipment	357,418	-	6,398	351,020
Land improvements	1,003,588	9,649	-	1,013,237
Furniture and fixtures	69,759	8,439	2,800	75,398
Vehicles	415,468	39,800	7,429	447,839
Total capital assets depreciated	<u>3,428,385</u>	<u>77,462</u>	<u>16,627</u>	<u>3,489,220</u>
Less accumulated depreciation:				
Buildings and improvements	841,791	38,831	-	880,622
Equipment	295,457	19,511	6,398	308,570
Land improvements	554,018	43,916	-	597,934
Furniture and fixtures	58,621	3,245	2,800	59,066
Vehicles	349,801	15,915	7,429	358,287
Total accumulated depreciation	<u>2,099,688</u>	<u>121,418</u>	<u>16,627</u>	<u>2,204,479</u>
Total capital assets depreciated, net	<u>1,328,697</u>	<u>(43,956)</u>	<u>-</u>	<u>1,284,741</u>
Total capital assets, net	<u>\$ 1,459,500</u>	<u>\$ (43,956)</u>	<u>\$ -</u>	<u>\$ 1,415,544</u>

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE D - CAPITAL ASSETS (CONTINUED)

Business-Type Activities

Capital assets not depreciated:				
Land	\$ 312,402	\$ -	\$ -	\$ 312,402
Construction in progress	-	302,185	-	302,185
Total capital assets not depreciated:	<u>312,402</u>	<u>302,185</u>	<u>-</u>	<u>614,587</u>
Capital assets depreciated:				
Distribution/collection systems	10,201,922	10,223	-	10,212,145
Equipment	786,381	7,653	-	794,034
Furniture and fixtures	59,883	-	-	59,883
Improvements	8,208	-	-	8,208
Vehicles	250,040	40,895	-	290,935
Total capital assets depreciated	<u>11,306,434</u>	<u>58,771</u>	<u>-</u>	<u>11,365,205</u>
Less accumulated depreciation:				
Distribution/collection systems	5,160,949	243,202	-	5,404,151
Equipment	540,866	33,438	-	574,304
Furniture and fixtures	42,812	2,562	-	45,374
Improvements	7,619	504	-	8,123
Vehicles	235,075	5,365	-	240,440
Total accumulated depreciation	<u>5,987,321</u>	<u>285,071</u>	<u>-</u>	<u>6,272,392</u>
Total capital assets depreciated, net	<u>5,319,113</u>	<u>(226,300)</u>	<u>-</u>	<u>5,092,813</u>
Total capital assets, net	<u>\$ 5,631,515</u>	<u>\$ 75,885</u>	<u>\$ -</u>	<u>\$ 5,707,400</u>

NOTE E - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent February 1 of the following year. The City's property tax rate is \$.206 per \$100 valuation.

City resolution requires the Gas System to make an annual payment to the General Fund in lieu of tax in the amount of 10% of the net property and equipment of the gas system, not to exceed \$140,000. During the year ended June 30, 2022 the Gas System paid the General Fund \$60,000 for this purpose and the amount was recorded as a transfer.

NOTE F - RISK MANAGEMENT

The City of Lewisport is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for risks related to injuries to employees and all other risks of loss. The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2022, will not materially affect the financial condition of the City. Therefore, there are no provisions for claims.

NOTE G - BUDGETS

The City's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). The City Council approves total budget appropriations by ordinance, and amendments are made as needed throughout the year. Formal budgetary integration is employed as a management control device during the year.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE H – LONG-TERM LIABILITIES

Changes in noncurrent liabilities, including current portions, for the year ended June 30, 2022 were as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Due in One Year</u>
<u>Governmental Activities</u>					
Compensated absences	\$ 75,664	\$ 15,450	\$ (19,845)	\$ 71,269	\$ -
Lease payable	17,049	-	(6,621)	10,428	6,884
Net pension liability	503,581	-	(96,473)	407,108	-
Net OPEB liability	158,494	79,759	(116,039)	122,214	-
Total	<u>\$ 754,788</u>	<u>\$ 95,209</u>	<u>\$ (238,978)</u>	<u>\$ 611,019</u>	<u>\$ 6,884</u>
<u>Business-Type Activities</u>					
Meter deposits	\$ 182,945	\$ 30,600	\$ (24,540)	\$ 189,005	\$ -
Compensated absences	30,240	18,673	(24,255)	24,658	-
Lease payable	180,000	80,695	(32,574)	228,121	35,535
Note payable	379,928	-	(16,903)	363,025	17,372
Net pension liability	1,350,545	48,605	(259,493)	1,139,657	-
Net OPEB liability	425,066	234,362	(317,294)	342,134	-
Total	<u>\$ 2,548,724</u>	<u>\$ 412,935</u>	<u>\$ (675,059)</u>	<u>\$ 2,286,600</u>	<u>\$ 52,907</u>

Compensated absences, net pension and OPEB liabilities have been liquidated in the Governmental and Proprietary Funds. Meter deposits have been liquidated in the Proprietary Funds (Water and Gas Systems). The lease payable will be liquidated in the Gas System. The amounts due in one year for meter deposits, compensated absences, and net pension liability could not be determined.

Debt Service Requirements – Notes Payable

During 2017, the City's Water Fund obtained financing from the Kentucky Infrastructure authority to finance a construction project for the sandblasting, re-coating, chlorinating and painting the interior of a 200,000 gallon water tank in Lewisport, Kentucky. The total amount of the construction note is \$267,500 and bears an interest rate of 2.75% for 20 years. As of June 30, 2022, the balance is \$219,365.

On April 23, 2020, the City signed a note payable with the Kentucky Infrastructure Authority for a sewer project. The note has an interest rate of 2.75%. Loan payment is each June 1 and December 1 and commenced on June 1, 2021. As of June 30, 2022, the balance is \$143,660.

Future payments on the notes payable are as follows:

<u>Year Ending 30-Jun</u>	<u>Business-type Activities</u>
2023	\$ 17,372
2024	17,853
2025	18,347
2026	18,854
2027	19,378
Thereafter	271,221
	<u>\$ 363,025</u>

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE H – LONG-TERM LIABILITIES (continued)

Debt Service Requirements – Lease Payable

Capital leases included in governmental activities include a capital lease of a fire truck and a police cruiser. Capital leases for business-type activities include a general obligation lease to provide funding to the City for improvements and to purchase equipment. The schedule of future minimum lease payments on the capital lease as of June 30, 2022 is as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2023	\$ 7,169	\$ 41,530
2024	3,584	41,080
2025	-	40,630
2026	-	45,180
2027	-	30,051
2028	-	26,575
2029	-	26,010
Future Minimum Payments	<u>10,753</u>	<u>251,056</u>
Less Interest	<u>(325)</u>	<u>(22,935)</u>
Present Value of Future Minimum Payments	<u>10,428</u>	<u>228,121</u>
Less current portion	<u>6,884</u>	<u>35,535</u>
Noncurrent portion	<u>\$ 3,544</u>	<u>\$ 192,586</u>

NOTE I - COMMITMENTS AND CONTINGENCIES

The City receives federal and state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such disallowances, if any, will not be significant.

NOTE J - RETIREMENT PLAN

Defined Benefit Plan

Plan Description – All full-time employees of City of Lewisport, Kentucky are covered by the County Employees Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous duty positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE J - RETIREMENT PLAN (continued)

Defined Benefit Plan (continued)

receiving a benefit for less than 12 months prior to effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124, calling 502-696-8822, or on the internet at www.kyret.gov.

Contributions – For the fiscal year ended June 30, 2022, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2022, participating employers contributed 21.17%, of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings. The actuarially determined rates set by the Board for the fiscal year ended June 30, 2022 was 21.17%.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE J - RETIREMENT PLAN (continued)

The City's total payroll for the years ended June 30, 2022 was \$750,786 and the payroll for employees covered under CERS was \$709,826. The contribution requirement for CERS, for the year ended June 30, 2022 was \$189,385, which consisted of \$150,207 from the City and \$39,178 from the employees, respectively.

The City has met 100% of its contribution funding requirement for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$1,546,765 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2022, the City's proportion was .0024260 percent, an increase from .0024174 percent in the prior year.

For the year ended June 30, 2022, the City recognized pension expense of \$155,501 for CERS. At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected & actual experience	\$ 17,762	\$ 15,012
Net difference between projected and actual investment earnings on pension plan investments	-	206,158
Changes of assumption	20,759	-
Changes in proportion and differences between City contributions and proportional share of contributions	29,029	8,670
City contributions subsequent to the measurement date	150,207	-
	<u>\$ 217,757</u>	<u>\$ 229,840</u>

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE J - RETIREMENT PLAN (continued)

The \$150,207 of deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	\$ (8,584)
2024	(43,036)
2025	(46,113)
2026	(64,557)
2026	-
	\$ (162,290)

Actuarial Methods and Assumptions – The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2020 using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

The total pension liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 year-closed period at June 30, 2019
Asset Valuation Method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30-10.3%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members is system specific based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The long - term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long - term rate of return assumption including long term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best - estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long - term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10 year

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE J - RETIREMENT PLAN (continued)

Actuarial Methods and Assumptions (Continued)

horizon and may not be useful in setting the long - term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Cash Equivalent	1.00%	-0.60%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

The Schedule of Deferred Outflows and Inflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE J - RETIREMENT PLAN (continued)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

	1% Decrease 5.25%	Current Discount 6.25%	1% Increase 7.25%
City's proportionate share of the net pension liability	\$ 1,983,800	\$ 1,546,765	\$ 1,185,129

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

The City also participates in the Kentucky Public Employees 401(k) Deferred Compensation (Plan II). Participation in the plan is voluntary and contributions are withheld from participating employees’ wages. No contributions were made by the City.

NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description. Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502)564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City’s contractually required contribution rate for the year ended June 30, 2022 was 5.78% of covered payroll. Contributions to the Insurance Fund from the City were \$41,011 for the year ended June 30, 2022. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

At June 30, 2020, the City reported a liability of \$464,348 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2021. This method is expected to be reflective of the employers' long-term contribution effort. As of June 30, 2022, the City's proportion was .024255 percent, an increase from .024167 percent in the prior year.

For the year ended June 30, 2022, the City recognized OPEB expense of \$60,436. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 73,019	\$ 138,639
Net difference between projected and actual investment earnings on pension plan investments	-	72,641
Changes of assumption	123,108	432
Changes in proportion and differences between City contributions and proportional share of contributions	12,845	14,381
City contributions subsequent to the measurement date	<u>56,290</u>	<u>-</u>
	<u>\$ 265,262</u>	<u>\$ 226,093</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$15,279 is an implicit subsidy and \$41,011 resulted from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year Ending June 30	Amount
2023	\$ 12,084
2024	1,047
2025	(1,773)
2026	(28,478)
2027	-
	\$ 17,120

Actuarial Assumptions

The total other postemployment benefits plan ("OPEB") was determined by an actuarial valuation as of June 30, 2017 rolled forward to 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30 percent
Investment rate of return	5.34 percent

Healthcare Trend Rates (Pre - 65) Initial trend starting at 6.25 percent at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 12 years.

Healthcare Trend Rates (Post - 65) Initial trend starting at 5.50 percent at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB. The mortality table used for active members is system specific based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Discount rate assumptions:

(a) Discount Rate: The discount rate used to measure the total OPEB liability was 5.34% which was increased from 5.68% discount rate used in the prior year.

(b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability.

(c) Long-Term Rate of Return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount rate assumptions:

(d) Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021.

(e) Period of Projected Benefit Payments: Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(f) Assumed Asset Allocations: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Cash Equivalent	1.00%	-0.60%
Total	<u>100%</u>	

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the collective net OPEB liability as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current discount rate:

	1% Decrease 4.20%	Current Discount 5.20%	1% Increase 6.20%
City's proportionate share of the net OPEB liability	\$ 637,549	\$ 464,348	\$ 322,211

The following presents the Bureau's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the Bureau's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 334,277	\$ 464,348	\$ 621,350

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

NOTE L - TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Amount	Purpose
General	Gas	\$ 53,661	Allocated expenses
General	Water	274	Allocated expenses
General	Sewer	200	Allocated expenses
Gas	General	74,020	Allocated expenses
Gas	General	60,000	In lieu
Gas	Water	49,620	Allocated expenses
Gas	Sewer	43,969	Allocated expenses
Water	General	13,774	Allocated expenses
Water	Gas	4,370	Allocated expenses
Sewer	General	10,855	Allocated expenses
Sewer	Gas	2,913	Allocated expenses
Sewer	Water	1,909	Allocated expenses

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE M - FUND BALANCE

The fund balance for the Governmental Fund was classified as follows:

Fund Balance	General Fund
Restricted:	
Fire department	\$ 28,340
Total Restricted	28,340
Assigned:	
Municipal improvements	40,038
Heritage Festival	11,911
Total Assigned	51,949
Unassigned	360,325
Total Fund Balance	\$ 440,614

NOTE N - RELATED PARTIES

The Mayor is a vice president and branch manager of First Financial Bank, which provides all banking services to the City.

NOTE O - GRANTS AND DONATIONS

County Grants

For the year ended June 30, 2022 the General Fund received \$60,000 from the Hancock County, Kentucky Fiscal Court for financial assistance. The County designated \$50,000 for operations and \$10,000 for the fire department.

American Rescue Plan Funding

The City received the first and second city allocations from the American Rescue Plan during the year. The total allocated the City was \$444,636.

State Capital Grant

The Kentucky Transportation Cabinet has elected to widen Highway 60 from Hawesville (Hancock County Career Center) to Highway 1957 in Lewisport. The Kentucky Transportation Cabinet has agreed to a grant to reimburse the total cost of moving those utility lines. The City submits invoices to the state as they are received. At June 30, 2022, construction in progress related to this project was \$302,185.

**CITY OF LEWISPORT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE P – SUBSEQUENT EVENTS

Clean Water Grant

The City was approved for a KIA Clean Water Grant for construction of a new water plant and for a sewer lift station rehabilitation. The grant is estimated to be \$300,000, but it has not been finalized.

The City evaluated subsequent events through September 7, 2023, which is the date the financial statements were available to be issued, for events requiring disclosure in the financial statements for the year ended June 30, 2022. There were no subsequent events identified requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LEWISPORT, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General Fund				
Revenues	\$ 1,092,246	\$ 1,043,574	\$ 999,027	\$ (44,547)
Expenditures	(1,067,140)	(1,043,574)	(820,857)	222,717
Transfers	-	-	104,515	104,515
Revenues and other financing sources over expenditures and other financing uses	<u>25,106</u>	<u>-</u>	<u>282,685</u>	<u>282,685</u>
Fund balance, June 30, 2021	<u>157,929</u>	<u>157,929</u>	<u>157,929</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 183,035</u>	<u>\$ 157,929</u>	<u>\$ 440,614</u>	<u>\$ 282,685</u>

**CITY OF LEWISPORT, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS***

COUNTY EMPLOYEES RETIREMENT SYSTEM	2022	2021	2020	2019	2018	2017	2016	2015
<u>Non-Hazardous</u>								
City's proportion of the net pension liability	0.242600%	0.241740%	0.023301%	0.024718%	0.023826%	0.021850%	0.224100%	0.023274%
City's proportionate share of the net pension liability	\$ 1,546,765	\$ 1,854,126	\$ 1,638,770	\$ 1,505,402	\$ 1,394,609	\$ 1,075,957	\$ 963,626	\$ 755,000
City's covered employee-payroll	\$ 618,671	\$ 619,256	\$ 587,738	\$ 612,631	\$ 570,065	\$ 532,311	\$ 522,912	\$ 533,942
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.01%	299.41%	278.83%	245.73%	244.64%	202.13%	184.28%	141.40%
Plan fiduciary net position as a percentage of the total pension liability	51.80%	47.81%	50.45%	53.34%	53.33%	55.50%	59.97%	66.80%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF LEWISPORT, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
 LAST 10 FISCAL YEARS*

COUNTY EMPLOYEES RETIREMENT SYSTEM	2022	2021	2020	2019	2018	2017	2016	2015
<u>Non-Hazardous</u>								
Contractually required contribution	\$ 150,207	\$ 119,597	\$ 119,509	\$ 95,315	\$ 88,709	\$ 79,524	\$ 90,812	\$ 92,399
Contributions in relation to the contractually required contribution	(150,207)	(119,597)	(119,509)	(95,315)	(88,709)	(79,524)	(90,812)	(92,399)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 709,826	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631	\$ 570,065	\$ 532,311	\$ 522,912
Contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF LEWISPORT, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS***

COUNTY EMPLOYEES RETIREMENT SYSTEM	2022	2021	2020	2019	2018
<u>Non-Hazardous</u>					
City's proportion of the net OPEB liability	0.024255%	0.024167%	0.023295%	0.024717%	0.023826%
City's proportionate share of the net OPEB liability	\$ 464,348	\$ 583,558	\$ 391,811	\$ 438,845	\$ 478,984
City's covered employee-payroll	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631	\$ 570,065
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	74.93%	94.24%	66.66%	71.63%	84.02%
Plan fiduciary net position as a percentage of the total OPEB liability	85.40%	51.60%	65.26%	57.62%	52.40%

Notes:

- 1) The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.
- 2) This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

**CITY OF LEWISPORT, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
LAST 10 FISCAL YEARS***

COUNTY EMPLOYEES RETIREMENT SYSTEM	2022	2021	2020	2019	2018
<u>Non-Hazardous</u>					
Statutorily required contribution	\$ 41,011	\$ 43,818	\$ 30,915	\$ 30,931	\$ 28,794
Contributions in relation to the statutorily required contribution	(41,011)	(43,818)	(30,915)	(30,931)	(28,794)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's contributions as a percentage of statutorily required contribution	100%	100%	100%	100%	100%
City's covered-employee payroll	\$ 709,826	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631
Contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%

Note:

- 1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City is presenting information for those years for which information is available.

**CITY OF LEWISPORT, KENTUCKY
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2022**

NOTES TO BUDGETARY COMPARISON SCHEDULE

NOTE A - BASIS OF PRESENTATION

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP). All governmental fund budgets are maintained on the cash basis (budgetary basis) of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget and all transactions are presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a meaningful comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

The amount reported as fund balance on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund because of the cumulative effect of transactions such as those described above.

NOTE B - BUDGET SHORTFALL

For certain line items and total expenditures, the General Fund experienced an excess of outlays over final budget appropriations.

NOTES TO PENSION SCHEDULES

NOTE C – CHANGES IN BENEFIT TERMS

Pension Benefit Changes

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25 percent of the member's final rate of pay to 75 percent of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10 percent of the member's final pay rate to 50 percent of average pay for one child, 65 percent of average pay for two children, or 75 percent of average pay for three children.

OPEB Benefit Changes

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100 percent of the insurance premium for spouses and children of all active members who die in the line of duty.

OPEB changes in assumptions:

The 2020 valuation, which is used to determine the Commission's proportionate share of the net OPEB liability at June 30, 2021, updated certain assumptions, including a decreased discount rate from 5.34 to 5.20 percent from the non-hazardous insurance fund.

**CITY OF LEWISPORT, KENTUCKY
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2022**

NOTE D – CHANGES OF ASSUMPTIONS

The 2019 valuation, which is used to determine the City's proportionate share of the net pension liability at June 30, 2020, updated certain assumptions, including a change in the mortality tables used. For active members, the mortality tables used is the Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the Pub-2010 Disabled Mortality table is used, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The assumed rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 experience study.

The 2017 valuation, which is used to determine the City's proportionate share of the net pension liability at June 30, 2018, updated certain assumptions, including a decreased investment rate of return from 7.50 to 6.25 percent. The assumed rate of inflation was reduced from 3.25 to 2.30 percent. The payroll growth assumption was reduced from 4.00 to 2.00 percent.

The 2015 valuation, which is used to determine the City's proportionate share of the net pension liability at June 30, 2016, updated certain assumptions, including a decrease in the assumed investment rate of return from 7.75 to 7.50 percent. The assumed rate of inflation was reduced from 3.50 to 3.25 percent. The assumed rate of wage inflation was reduced from 1.00 to 0.75 percent. The payroll growth assumption was reduced from 4.50 to 4.00 percent. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 percent for males and 30 percent for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. The assumed rates of retirement withdrawal, and disability were updated to more accurately reflect experience.



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 and Members of the City Council
City of Lewisport, 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, and each major fund of the City of Lewisport, Kentucky (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 7, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City of Lewisport, Kentucky's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lewisport's response to findings and questioned costs. City of Lewisport's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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.

Alcatraz & Company CPAs PSC

Owensboro, Kentucky
September 7, 2023

**CITY OF LEWISPORT, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022**

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 Material Weakness (repeat):

Segregation of Duties

Condition: The small size of the City's staff limits the extent of the separation of duties. Consequently, the separation of duties, which is the basic premise of a good internal control structure, does not exist.

Criteria: The City should have adequate segregation of duties over the handling of cash receipts and disbursements.

Cause: Budgetary constraints limit the number of staff members.

Effect: Significant controls over transaction processing were absent.

Recommendation: We recommend the City divide the responsibilities of handling cash receipts and disbursements among various employees at the City.

View of Responsible Officials and Planned Corrective Action: Management realizes the need for segregation of duties, however because of budget limitations and because of cost/benefit, proper segregation is not feasible at this time.

**CITY OF LEWISPORT, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022**

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-002 Material Weakness (repeat):

Excessive Overtime

Condition: During the course of our engagement, we noted that the City did lower the amount of overtime compared to the prior year, it still has significant overtime pay on a regular basis.

Criteria: Government auditing standards suggest that overtime is a potential sign of abuse. Overtime on a regular basis can lead to excessive costs.

Cause: The City has a generous overtime policy, in an effort to maintain qualified staff. Overtime is paid for time over 8 hours a day, instead of 40 hours a week. Paid absences contribute to the 40 hour work week and potentially add to overtime.

Effect: These additional wages create substantial expenditures to the City.

Recommendation: We recommend that the City study local wages and benefits to determine a reasonable package to retain their staff, while adjusting the overtime policy and practices. While adjusting the base wage of employees and approving a more fiscally responsible overtime policy, the City can better control personnel expense. We also recommend that the City review its personnel schedule to determine what adjustments to assigned duties would allow for fewer overtime hours. We recommend the new overtime policies be strictly enforced.

Views of Responsible Officials and Planned Corrective Actions: The decision to change our overtime policies in the past has been rejected. The City will review the recommendations of the auditor to see if adjustments can be made while maintaining qualified staff.