

***CITY OF NORTONVILLE,
KENTUCKY***

AUDIT REPORT

JUNE 30, 2021

CITY OF NORTONVILLE, KENTUCKY

AUDIT REPORT

JUNE 30, 2021

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**CITY OF NORTONVILLE, KENTUCKY
PRINCIPAL OFFICIALS
JUNE 30, 2021**

**MAYOR AND COUNCIL MEMBERS
AS OF JUNE 30, 2021**

Scott Harvey	Mayor
James Braden	Council Member
Paul McPeck	Council Member
James Harrison	Council Member
Lucille Putty	Council Member
Greg Rodgers	Council Member
Kristal Stanley	Council Member

PERSONNEL

Julie Sellers	City Clerk
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of Nortonville, Kentucky

Report of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Nortonville, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

City of Nortonville, Kentucky's 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 City of Nortonville, Kentucky's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 GAAS 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 GAAS, 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 City of Nortonville, 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 City of Nortonville, 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 required that the budgetary comparison information on page 46 as well as the Schedule of Proportionate Share of Net Pension Liability, Schedule of Required Contributions – Pension, Schedule of Proportionate Share of the Net Other Post-Employment Benefits, Schedule of Required Contributions – Other Post-Employment Benefits, and the Notes to the Required Supplementary Information on pages 47 through 51 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

The Mayor and Members of the City Council
City of Nortonville, Kentucky
July 8, 2022

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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2022, on our consideration of the City of Nortonville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 Nortonville, Kentucky's internal control over financial reporting and compliance.

Calhoun & Company

Hopkinsville, Kentucky
July 8, 2022

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 163,179	\$ 165,058	\$ 328,237
Accounts Receivable, Net of Allowance for Doubtful Accounts	63,380	104,570	167,950
Unbilled Revenue	-	27,446	27,446
Inventories	-	22,250	22,250
Other Current Assets	2,437	332	2,769
Non-Current Assets			
Cash and Cash Equivalents - Restricted	117,653	358,113	475,766
Depreciable Capital Assets, Net	978,743	5,844,348	6,823,091
Non-Depreciable Capital Assets	45,000	-	45,000
Total Assets	1,370,392	6,522,117	7,892,509
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pension	46,633	95,498	142,131
Deferred Outflows of Resources Related to OPEB	25,308	42,181	67,489
Total Deferred Outflows of Resources	71,941	137,679	209,620
Liabilities			
Accounts Payable	6,673	14,474	21,147
Accrued Payroll and Related Expenses	2,079	2,880	4,959
Accrued Interest Payable	-	24,182	24,182
Customers Deposits	-	33,650	33,650
Current Portion of Long-Term Debt	-	138,754	138,754
Non-Current Liabilities			
Due in More Than One Year	-	3,694,017	3,694,017
Aggregate Net Pension Liability	126,276	268,416	394,692
Aggregate Net OPEB Liability	40,181	84,057	124,238
Total Liabilities	175,209	4,260,430	4,435,639
Deferred Inflows of Resources			
Deferred Inflows of Resources Related to Pension	614	1,028	1,642
Deferred Inflows of Resources Related to OPEB	196	1,181	1,377
Total Deferred Inflows of Resources	810	2,209	3,019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position			
Net Investment in Capital Assets	1,023,743	2,113,364	3,137,107
Restricted			
Debt Service	-	195,177	195,177
Municipal Aid and Cemetery	109,381	-	109,381
Perpetual Cemetery	7,997	-	7,997
Unrestricted	<u>125,193</u>	<u>88,616</u>	<u>213,809</u>
Total Net Position	<u>\$ 1,266,314</u>	<u>\$ 2,397,157</u>	<u>\$ 3,663,471</u>

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

Functions / Programs	Direct Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 257,397	\$ -	\$ 101,878	\$ -	\$ (155,519)	\$ -	\$ (155,519)
Public Safety	39,501	-	41,037	-	1,536	-	1,536
Public Streets	22,333	-	27,301	-	4,968	-	4,968
Library	940	-	-	-	(940)	-	(940)
Depreciation	81,912	-	-	-	(81,912)	-	(81,912)
Interest on Long-Term Debt	272	-	-	-	(272)	-	(272)
Total Governmental Activities	402,355	-	170,216	-	(232,139)	-	(232,139)
Business-Type Activities							
Sewer	560,462	584,226	-	484	-	24,248	24,248
Water	343,202	341,875	-	484	-	(843)	(843)
Interest on Long-Term Debt	147,387	-	-	-	-	(147,387)	(147,387)
Total Business-Type Activities	1,051,051	926,101	-	968	-	(123,982)	(123,982)
Total Primary Government	\$ 1,453,406	\$ 926,101	\$ 170,216	\$ 968	(232,139)	(123,982)	(356,121)
General Revenues							
Taxes							
					49,976	-	49,976
					98,571	-	98,571
					32,266	-	32,266
					138,836	-	138,836
					3,327	-	3,327
					1,078	1,914	2,992
					(3,878)	(8,360)	(12,238)
					18,873	1,004	19,877
					(2,117)	2,117	-
					336,932	(3,325)	333,607
					104,793	(127,307)	(22,514)
					1,161,521	2,524,464	3,685,985
					\$ 1,266,314	\$ 2,397,157	\$ 3,663,471

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

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 163,179	\$ -	\$ 163,179
Cash and Cash Equivalents - Restricted	-	117,653	117,653
Accounts Receivable	51,147	-	51,147
Taxpayer Assessed Revenues Receivable	12,233	-	12,233
Prepaid Insurance	2,437	-	2,437
Total Assets	<u>\$ 228,996</u>	<u>\$ 117,653</u>	<u>\$ 346,649</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts Payable	\$ 6,398	\$ 275	\$ 6,673
Accrued Payroll and Related Expenses	2,079	-	2,079
Total Liabilities	<u>8,477</u>	<u>275</u>	<u>8,752</u>
Deferred Inflows of Resources			
Deferred Revenue - Property Taxes	10,602	-	10,602
Total Deferred Inflows of Resources	<u>10,602</u>	<u>-</u>	<u>10,602</u>
Fund Balances			
Non-Spendable			
Prepaid Insurance	2,437	-	2,437
Cemetery Perpetual Care	-	7,997	7,997
Restricted			
Municipal Aid	-	77,035	77,035
Cemetery	-	32,346	32,346
Unassigned	207,480	-	207,480
Total Fund Balances	<u>209,917</u>	<u>117,378</u>	<u>327,295</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 228,996</u>	<u>\$ 117,653</u>	<u>\$ 346,649</u>

**CITY OF NORTONVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund Balances - Total Governmental Funds	\$	327,295
<p>Amounts reported for governmental activities in the Statement of Net Position are different because (See Note 1):</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. More specifically, non-depreciable and depreciable assets are reported on the Statement of Net Position.		1,023,743
Some deferred outflows are not due and receivable in the current period and therefore are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions		46,633
Deferred Outflows of Resources Related to OPEB		25,308
<p>Some liabilities, including net pension obligations are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.</p>		
Net Pension Liability		(126,276)
Net OPEB Liability		(40,181)
<p>Some deferred inflows are not due and payable in the current period and therefore are not reported in the funds.</p>		
Deferred Inflows of Resources Related to Pensions		(614)
Deferred Inflows of Resources Related to OPEB		(196)
Change in Deferred Inflows of Resources Related to Property Tax Revenue		
Property Taxes Receivable recorded on the Net Position but not received within 60 days of year end are recorded as deferred revenue on the Balance Sheet but not on the Statement of Net Position.		10,602
Net Position of Government Activities	\$	1,266,314

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Insurance Premium Taxes	\$ 138,836	\$ -	\$ 138,836
Property Taxes	87,969	-	87,969
Occupational Taxes	49,976	-	49,976
Franchise Taxes	32,266	-	32,266
Other Taxes	3,327	-	3,327
Intergovernmental Revenues	104,608	24,571	129,179
Public Safety	41,037	-	41,037
Cemetery	-	11,799	11,799
Other Revenues	7,074	-	7,074
Interest	606	472	1,078
	<u>465,699</u>	<u>36,842</u>	<u>502,541</u>
Total Revenues			
Expenditures			
General Government	220,109	5,488	225,597
Public Safety	39,501	-	39,501
Public Streets	21,665	668	22,333
Library	940	-	940
Debt Service			
Principal	48,780	-	48,780
Interest	272	-	272
Capital Outlay	86,964	124,040	211,004
	<u>418,231</u>	<u>130,196</u>	<u>548,427</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	47,468	(93,354)	(45,886)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	10,963	-	10,963
Proceeds from Borrowing	48,780	-	48,780
Transfers	(8,000)	-	(8,000)
	<u>51,743</u>	<u>-</u>	<u>51,743</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	99,211	(93,354)	5,857
Fund Balances - Beginning	<u>110,706</u>	<u>210,732</u>	<u>321,438</u>
Fund Balances - Ending	<u><u>\$ 209,917</u></u>	<u><u>\$ 117,378</u></u>	<u><u>\$ 327,295</u></u>

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 5,857

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 are allocated over their estimated useful lives as depreciation expense. More specifically, this is the amount by which capital outlays exceeded depreciation in the current period.

Fixed Assets Purchased	\$ 211,004	
Less: Depreciation	<u>81,912</u>	
	<u>\$ 129,092</u>	129,092

In the Statement of Activities, only the gain (loss) on the sale of capital assets is reported,

Gain (Loss) on Sale	\$ (3,878)	
Less: Proceeds from Sale	<u>10,963</u>	
	<u>\$ (14,841)</u>	(14,841)

The net pension and other post employment benefit liabilities and related deferred outflows and inflows of resources are an obligation of the City not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent (expenses) / recovery in the current year. (25,917)

Property Taxes Revenue recorded related to outstanding Property Taxes Receivable are reflected in revenue on the statement of Activities. Receivables for which no payment is received within 60 days of year end are not considered revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance. 10,602

Change in Net Position of Governmental Activities \$ 104,793

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 14,895	\$ 150,163	\$ 165,058
Accounts Receivables	44,521	60,049	104,570
Unbilled Revenue	13,694	13,752	27,446
Inventory	22,250	-	22,250
Prepaid Expenses	166	166	332
Total Current Assets	<u>95,526</u>	<u>224,130</u>	<u>319,656</u>
Non-Current Assets			
Cash and Cash Equivalents - Restricted	106,864	251,249	358,113
Depreciable Capital Assets, Net	2,181,314	3,663,034	5,844,348
Total Non-Current Assets	<u>2,288,178</u>	<u>3,914,283</u>	<u>6,202,461</u>
Total Assets	<u>2,383,704</u>	<u>4,138,413</u>	<u>6,522,117</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pension	51,235	44,263	95,498
Deferred Outflows of Resources Related to OPEB	22,519	19,662	42,181
Total Deferred Outflows of Resources	<u>73,754</u>	<u>63,925</u>	<u>137,679</u>
Liabilities			
Current Liabilities			
Accounts Payable	6,247	8,227	14,474
Accrued Interest Payable	15,090	9,092	24,182
Accrued Payroll and Related Expenses	1,533	1,347	2,880
Customers' Deposits	33,650	-	33,650
Current Portion of Long-Term Debt	35,000	103,754	138,754
Total Current Liabilities	<u>91,520</u>	<u>122,420</u>	<u>213,940</u>
Non-Current Liabilities			
Long-Term Debt	1,373,500	2,320,517	3,694,017
Aggregate Net Pension Liability	148,931	119,485	268,416
Aggregate Net OPEB Liability	45,315	38,742	84,057
Total Non-Current Liabilities	<u>1,567,746</u>	<u>2,478,744</u>	<u>4,046,490</u>
Total Liabilities	<u>1,659,266</u>	<u>2,601,164</u>	<u>4,260,430</u>

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources Related to Pension	857	171	1,028
Deferred Inflows of Resources Related to OPEB	<u>307</u>	<u>874</u>	<u>1,181</u>
Total Deferred Inflows of Resources	<u>1,164</u>	<u>1,045</u>	<u>2,209</u>
Net Position			
Net Investment in Capital Assets	820,538	1,292,826	2,113,364
Restricted - Debt Retirement - Expendable	56,774	138,403	195,177
Unrestricted	<u>(80,284)</u>	<u>168,900</u>	<u>88,616</u>
Total Net Position	<u>\$ 797,028</u>	<u>\$ 1,600,129</u>	<u>\$ 2,397,157</u>

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Sales	\$ 324,417	\$ 584,226	\$ 908,643
Fees	17,458	-	17,458
Miscellaneous	598	406	1,004
Total Operating Revenues	<u>342,473</u>	<u>584,632</u>	<u>927,105</u>
Operating Expenses			
Salaries and Wages	87,560	76,383	163,943
Payroll Taxes	7,402	6,482	13,884
Retirement and Other Post Employment Benefits	41,400	36,116	77,516
Health Benefits	13,765	13,701	27,466
Utilities	44,757	66,204	110,961
Contract Services	25,800	46,950	72,750
Repairs and Maintenance	2,538	49,161	51,699
Insurance	17,376	27,152	44,528
Testing	2,440	23,927	26,367
Professional Services	3,822	3,824	7,646
Chemicals	2,784	32,202	34,986
Office Supplies	2,704	1,715	4,419
Postage	1,943	2,174	4,117
Fuel and Oil	2,049	1,963	4,012
Telephone	1,785	1,970	3,755
Advertising	292	142	434
Vehicle Maintenance	664	631	1,295
Dues & Subscriptions	620	619	1,239
Uniforms	92	92	184
Training, Travel and Certification	36	66	102
Bank Charges	-	390	390
Supplies	42	-	42
Miscellaneous	2,309	245	2,554
Bad Debt Expense	155	803	958
Depreciation	80,867	167,550	248,417
Total Operating Expenses	<u>343,202</u>	<u>560,462</u>	<u>903,664</u>
Operating Income (Loss)	<u>(729)</u>	<u>24,170</u>	<u>23,441</u>
Non-Operating Revenues (Expenses)			
Gain (Loss) on Sale of Assets	(357)	(8,003)	(8,360)
Interest Income	397	1,517	1,914
Interest Expense	(30,792)	(116,595)	(147,387)
Total Non-Operating Revenues (Expenses)	<u>(30,752)</u>	<u>(123,081)</u>	<u>(153,833)</u>
Capital Contributions	484	484	968
Transfers In (Out)	<u>(5,564)</u>	<u>7,681</u>	<u>2,117</u>
Change in Net Position	(36,561)	(90,746)	(127,307)
Total Net Position - Beginning	<u>833,589</u>	<u>1,690,875</u>	<u>2,524,464</u>
Total Net Position - Ending	<u>\$ 797,028</u>	<u>\$ 1,600,129</u>	<u>\$ 2,397,157</u>

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

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

	Water	Sewer	Total
Cash Flows Provided (Used) By Operating Activities			
Receipts from Customers	\$ 327,848	\$ 576,310	\$ 904,158
Payment to Suppliers	(137,833)	(294,064)	(431,897)
Payments to Employees	(87,341)	(76,350)	(163,691)
Net Cash Provided (Used) By Operating Activities	<u>102,674</u>	<u>205,896</u>	<u>308,570</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities			
Contributed Capital - Grant Income	484	484	968
Proceeds from Long-Term Debt	-	107,995	107,995
Payments on Long-Term Debt	(33,500)	(202,974)	(236,474)
Interest Expense	(31,062)	(116,478)	(147,540)
Purchases of Capital Assets	-	(26,511)	(26,511)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(64,078)</u>	<u>(237,484)</u>	<u>(301,562)</u>
Cash Flows Provided (Used) by Investing Activities			
Interest Income	397	1,517	1,914
Cash Transfers In (Out)	(10,500)	10,500	-
Net Cash Provided (Used) by Investing Activities	<u>(10,103)</u>	<u>12,017</u>	<u>1,914</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,493	(19,571)	8,922
Cash and Cash Equivalents - Beginning of the Year	<u>93,266</u>	<u>420,983</u>	<u>514,249</u>
Cash and Cash Equivalents - End of Year	<u>\$ 121,759</u>	<u>\$ 401,412</u>	<u>\$ 523,171</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (729)	\$ 24,170	\$ 23,441
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	80,867	167,550	248,417
Pension Contribution (Adjustments for GASB 68 / 75)	31,550	20,636	52,186
(Increase) Decrease in:			
Receivables, Operating	(15,245)	(7,519)	(22,764)
Prepaid Insurance	(37)	(37)	(74)
Increase (Decrease) in:			
Accounts Payable	5,274	1,063	6,337
Accrued Liabilities	219	33	252
Customer Deposits	775	-	775
Net Cash Provided (Used) by Operating Activities	<u>\$ 102,674</u>	<u>\$ 205,896</u>	<u>\$ 308,570</u>
Reconciliation of Total Cash			
Current Assets - Cash Equivalents	\$ 14,895	\$ 150,163	\$ 165,058
Restricted Assets - Cash Equivalents	<u>106,864</u>	<u>251,249</u>	<u>358,113</u>
Total Cash and Cash Equivalents	<u>\$ 121,759</u>	<u>\$ 401,412</u>	<u>\$ 523,171</u>

There are no noncash investing or capital and related financing activities for the year ended June 30, 2021.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nortonville, Kentucky operates under a Mayor/Council form of government and provides the following services as authorized: public safety (fire), highway and streets, water and sewer utilities, cultural and recreation, public improvements, cemetery and general and administrative services.

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

A. The Financial Reporting Entity

The City of Nortonville, Kentucky is a municipal corporation governed by an elected six member council and mayor. The City has adhered to the standards set forth in GASB Statement No. 14 as amended by GASB Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City.

B. Basis of Presentation

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

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

Fund Financial Statements

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Presentation, Continued

GOVERNMENTAL FUNDS

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

General Fund

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

Special Revenue Fund

The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to disbursements for specific purposes.

PROPRIETARY FUNDS

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

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City and some county residents. Activities of the fund include administration, water treatment, and distribution infrastructure additions and maintenance. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus/Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (usually 45 days). The City considers property taxes as available if they are collected within 60 days after year end. Franchise and insurance premium taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

Budgets and budgeting procedures require that prior to June 1 of each year, the Mayor submits a proposed budget to the Council for the year commencing the following July 1. The budget is

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Budgets, Continued

prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

As required by Kentucky Revised Statutes (K.R.S.) 91A.030 (1), formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030 (13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. The Mayor is authorized to transfer budgeted amounts between accounts within any fund. However, any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

E. Cash and Investments

Money market instruments and certificates of deposits are stated at cost or amortized cost, which approximates fair value. All other investment securities are stated at fair value.

City ordinances authorize the City to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, and demand deposits. All investments must be purchased through local brokers/dealers or deposited with local financial institutions. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments.

For the purpose of the statement of cash flows, the City considers all cash in banks with stated maturities of three months or less or available for withdrawal by City management to be cash and cash equivalents.

F. Short-Term Interfund Receivables/Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivables are recorded in the Governmental and Business-type funds net of appropriate allowance for uncollectible accounts. An allowance for uncollectible accounts has been provided based on prior years' loss experiences as percentage of revenues billed. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the June 30, 2021 accounts receivable.

H. Inventory

Inventory consists of materials and supplies. Inventory is valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Prepaid Items

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

J. Restricted Assets

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

K. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows. This separate financial statement element, deferred outflows of resources, represents 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 has one item that qualifies for reporting in this category.

Deferred outflows related to pensions and other post-employment benefits (OPEB) are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other post-employment benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other post-employment benefits liabilities in the year ending June 30, 2022. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

Deferred Inflows of Resources

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

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

Deferred inflows related to pensions and other post-employment benefits are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions and other post-employment benefits results from net differences between expected and actual earnings on pension and other post-employment benefit plan investments and various changes resulting from actuarial pension/OPEB measurements. These amounts are deferred and will be recognized as a reduction of pension and other post-employment benefit expense over future periods.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (excluding those acquired prior to June 30, 2003), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized, including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Life</u>
Buildings and Infrastructure	10-40 years
Utility Plant, Mains, and Lines	40-50 years
Vehicles	5-10 years
Furniture, Fixtures, and Equipment	5-10 years

M. Pensions and Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) OPEB Plan and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

N. Compensated Absences

Employees of the City earn two weeks of paid leave per year after one year of service based on a calendar year. Unused vacation and sick days are not allowed to be carried over. Therefore, there are no compensated absences to be accrued in the financial statements.

O. Unearned Revenue

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

P. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method and are reported as deferred amounts from refunding debt. Issuance costs are reported as expenses.

Q. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

R. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues (including occupational and insurance premium taxes, franchise fees, and licenses) are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recognized when the related fund liability is incurred except for the following, which are permitted by generally accepted accounting principles. General obligation long-term debt principal and interest, compensated absences, pension and other benefits, and other long-term liabilities are reported only when due.

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses for these operations include all costs related to providing the service. These costs include salaries, contractual services, supplies, maintenance, depreciation, and administrative expenses. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

S. Interfund Transactions

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

T. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

U. Net Position

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

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

In governmental fund financial statements, equity is classified as fund balance and is displayed in up to five components based primarily on the extent to which the City is bound to observe constraints imposed on the use of fund resources. These components are as follows:

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

U. Net Position, Continued

- **Unassigned fund balance** - amounts that are available for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

V. Adoption of New Accounting Pronouncements

GASB Statement No. 87

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The City does not currently have any transactions that meet these criteria.

GASB Statement No. 97

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans -- An Amendment of GASB Statement No. 14 and No. 84, And A Suppression of GASB Statement No. 32*, was issued in June 2020, and is effective immediately. The objectives of this Statement are to improve consistency related to fiduciary component units. The City does not currently have any component units.

Recent Accounting Pronouncements

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

V. Adoption of New Accounting Pronouncements, Continued

GASB Statement No. 89

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before The End of a Construction Period*, was issued in June, 2018. The provisions of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 91

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitment's issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 92

GASB Statement No. 92, *Omnibus 2020*, was issued January 2020. The statement was to provide enhanced comparability in accounting and financial reporting. It addressed a variety of topics with various effective dates and includes specific provisions about the following:

- The effective date of Statement No. 87 and Implementation Guide No. 2019-3 is effective immediately.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan, effective for fiscal years beginning after June 15, 2020.
- The applicability of Statement No. 73, as amended, to reporting assets accumulated for postemployment benefits, effective for fiscal years beginning after June 15, 2020.
- The applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements, effective for reporting periods beginning after June 15, 2020.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in government acquisition, effective for reporting periods beginning after June 15, 2020.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

V. Adoption of New Accounting Pronouncements, Continued

GASB Statement No. 92, Continued

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

GASB Statement No. 93

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020 and was effective for reporting periods ending after December 31, 2021. The provisions of this statement are to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020, and is effective for fiscal years beginning after June 15, 2022. The provisions of this statement are to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs).

GASB Statement No. 95

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued May 2020 and was effective immediately. The provision of this pronouncement was to provide temporary relief to governments and other stakeholders in light of Covid-19 pandemic. That object is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year unless adopted early:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

V. Adoption of New Accounting Pronouncements, Continued

GASB Statement No.95, Continued

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

GASB Statement No. 96

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020 and is effective for fiscal years beginning after June 15, 2022. This statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset --an intangible asset -- and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA.

W. Subsequent Events

The City has evaluated subsequent events through July 8, 2022, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE – BUDGETS

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

As required by Kentucky Revised Statutes (K.R.S.) 91A.030(1), formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds as legally required, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030(13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the originally adopted budget.

Excess of Expenditures Over Appropriations in Individual Funds

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

Municipal Aid	\$	63,821
Cemetery Maintenance	\$	4,988
Sewer Fund	\$	93,951

The expenditures were due mainly to budgeting practices. Fund equity and other financial sources were sufficient to offset the over expenditures. Annual budgets are adopted for the General Fund, and all Proprietary Funds.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

2. LEGAL COMPLIANCE – BUDGETS, CONTINUED

Operating Deficit

The following funds had operations that resulted in a current year deficit of revenue under expenditures and other financing sources and uses resulting in a corresponding reduction of fund balance. These deficits were funded by available resources at the beginning of the year.

Water Fund	\$	39,877
Sewer Fund	\$	95,609
Municipal Aid	\$	99,697

3. DEPOSITS AND INVESTMENTS

Statement of Net Position Cash Presentation

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

	<u>Deposits</u>	<u>Primary Government Total</u>
Cash Equivalents	\$ 328,237	\$ 328,237
Restricted Assets:		
Cash Equivalents	<u>475,766</u>	<u>475,766</u>
Total	<u>\$ 804,003</u>	<u>\$ 804,003</u>

A. Deposits

At year-end, the carrying amount of the City's cash equivalents was \$804,003 including cash on hand of \$800. As of the high cash day during the year ended June 30, 2021, the City's deposits at its financial institutions were as high as \$620,456 and \$609,944. These balances were fully collateralized by a combination of FDIC insured limits and securities pledged by the financial institution on behalf of the City.

B. Investments

Interest Rate Risk

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

Credit Risk

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

3. DEPOSITS AND INVESTMENTS

B. Investments, Continued

Concentration of Credit Risk

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

Identification

At June 30, 2021 the City had no investments.

4. PROPERTY TAXES

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Hopkins County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Hopkins County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2021, taxes were levied on October 1, 2020, and payable on December 31, 2020. The tax rate was 24.1 cents per \$100 of assessed valuation of real property, 22.9 cents per \$100 of assessed valuation of vehicles and watercraft, and 57.48 cents per \$100 of assessed valuation of tangible property. Enforceable liens on delinquent property tax bills attach to the property when filed by the City by August 31 of each year. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes."

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

5. CAPITAL ASSETS

Governmental Activities

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

<u>Governmental Activities</u>	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2021</u>
Capital Assets Not Depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Total Capital Assets Not Depreciated	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Capital Assets Being Depreciated				
Buildings	104,563	59,480	-	164,043
Improvements	677,629	-	(822)	676,807
Machinery and Equipment	321,689	13,284	(11,067)	323,906
Vehicles	197,100	8,450	-	205,550
Police and Fire Equipment	550,340	14,200	(106,241)	458,299
Infrastructure	222,594	124,040	-	346,634
Total Capital Assets Being Depreciated	<u>2,073,915</u>	<u>219,454</u>	<u>(118,130)</u>	<u>2,175,239</u>
Less Accumulated Depreciation				
Buildings	60,174	3,904	-	64,078
Improvements	244,790	20,983	(264)	265,509
Machinery and Equipment	291,237	8,345	(8,112)	291,470
Vehicles	177,238	7,403	-	184,641
Police and Fire Equipment	414,432	33,524	(98,576)	349,380
Infrastructure	32,518	8,900	-	41,418
Total Accumulated Depreciation	<u>1,220,389</u>	<u>83,059</u>	<u>(106,952)</u>	<u>1,196,496</u>
Total Capital Assets Being Depreciated, Net	<u>853,526</u>	<u>136,395</u>	<u>(11,178)</u>	<u>978,743</u>
Governmental Activities Capital Assets, Net	<u>\$ 898,526</u>	<u>\$ 136,395</u>	<u>\$ (11,178)</u>	<u>\$ 1,023,743</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

5. CAPITAL ASSETS, CONTINUED

Business-type Activities

A summary of capital assets for business-type activities at June 30, 2021 follows:

<u>Business-Type Activities</u>	Balance <u>July 1, 2020</u>	Additions	Deductions	Balance <u>June 30, 2021</u>
Sewer				
Capital Assets Being Depreciated				
Sewer Plant	\$ 3,338,644	\$ 18,700	\$ (2,950)	\$ 3,354,394
Sewer Equipment	362,236	7,811	(19,577)	350,470
Regional Sewer Project	<u>5,200,366</u>	<u>-</u>	<u>-</u>	<u>5,200,366</u>
Total Capital Assets Being Depreciated	<u>8,901,246</u>	<u>26,511</u>	<u>(22,527)</u>	<u>8,905,230</u>
Less Accumulated Depreciation				
Sewer Plant	3,065,478	17,140	(2,090)	3,080,528
Sewer Equipment	216,586	20,363	(12,434)	224,515
Regional Sewer Project	<u>1,807,106</u>	<u>130,047</u>	<u>-</u>	<u>1,937,153</u>
Total Accumulated Depreciation	<u>5,089,170</u>	<u>167,550</u>	<u>(14,524)</u>	<u>5,242,196</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,812,076</u>	<u>(141,039)</u>	<u>(8,003)</u>	<u>\$ 3,663,034</u>
Water				
Capital Assets Being Depreciated				
Water Plant	\$ 2,955,360	\$ -	\$ (17,412)	\$ 2,937,948
Buildings, Tanks, Etc.	161,148	-	-	161,148
Water Equipment	<u>63,382</u>	<u>-</u>	<u>(3,436)</u>	<u>59,946</u>
Total Capital Assets Being Depreciated	<u>3,179,890</u>	<u>-</u>	<u>(20,848)</u>	<u>3,159,042</u>
Less Accumulated Depreciation				
Water Plant	715,624	76,137	(17,412)	774,349
Buildings, Tanks, Etc.	149,745	920	-	150,665
Water Equipment	<u>51,983</u>	<u>3,810</u>	<u>(3,079)</u>	<u>52,714</u>
Total Accumulated Depreciation	<u>917,352</u>	<u>80,867</u>	<u>(20,491)</u>	<u>977,728</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 2,262,538</u>	<u>\$ (80,867)</u>	<u>\$ (357)</u>	<u>\$ 2,181,314</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,074,614</u>	<u>\$ (221,906)</u>	<u>\$ (8,360)</u>	<u>\$ 5,844,348</u>

Depreciation expense was not allocated to governmental functions. It appears on the Statement of Activities as depreciation on a separate line.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

6. RESTRICTED NET POSITION

Certain assets relating to long term debt, which are restricted as described in Note 8 are as follows at June 30, 2021:

<i>Debt Requirement Restricted Assets</i>	<i>Water</i>	<i>Sewer</i>
Bond Sinking Reserve	\$ 106,864	120,576
Ky Bond Debt Service Fund	-	130,673
Total	106,864	251,249
<i>Current Portion of Debt Requirements</i>		
Revenue Bonds and Debt Payable	35,000	103,754
Accrued Interest Payable	15,090	9,092
Total	50,090	112,846
<i>Net Position Restricted for Debt Service</i>	\$ 56,774	\$ 138,403

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the City contracted with commercial insurance carriers for coverage of all the risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 years. There were no significant reductions in coverages during the past 3 years.

8. GOVERNMENT WIDE ACTIVITIES DEBT

General Fund Notes Payable

First United Bank and Trust Company

On November 11, 2020, the City obligated itself for a one year line of credit with First United Bank and Trust Company in the amount of \$50,000 for the purpose of installing a drive through window at City Hall. This credit line was paid off with CARES Act funds received at completion of the project. The loan bears interest at 2.750% and requires payment of outstanding principal and interest on November 13, 2021. The City drew \$48,780 on the loan during the year ended June 30, 2021. The loan was paid in full in January 2021. Total interest paid during the year ended June 30, 2021 was \$175.

Business-Type Funds Revenue Bonds Payable and Notes Payable

1995 Revenue Bond Payable

On February 29, 1996, the City authorized and provided for the issuance and sale of \$427,000 principal amount of City of Nortonville, Kentucky Waterworks and Sewer Revenue Bonds, Series 1995. The purpose of the issuance was for financing the cost of the construction of extensions, additions, and improvements to the existing combined and consolidated waterworks and sewer system. The bonds bear interest at 4.5% per annum. Annual principal payments are due on January 1 and semi-annual interest payments on January 1 and July 1. Amounts representing interest paid totaled \$11,408.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

8. GOVERNMENT WIDE ACTIVITIES DEBT, CONTINUED

2013 Revenue Bond Payable

On July 30, 2013, the City authorized and provided for the issuance and sale of \$2,990,000 principal amount of City of Nortonville, Kentucky Sewer Revenue Bonds, Series 2013. The purpose of the issuance was for refinancing the Kentucky Infrastructure Authority Note Payable issued for prior sewer system improvements. The bonds bear interest at 3.0% - 4.625% per annum. Annual principal payments are due on February 1 and semi-annual interest payments on February 1 and August 1. Amounts representing interest paid totaled \$102,813.

2016 Revenue Bond Payable

On November 17, 2015, the City authorized and provided for the issuance and sale of \$1,250,000 principal amount of City of Nortonville, Kentucky Water System Revenue Bonds, Series 2016. The purpose of the issuance was for financing the cost of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system. The bonds bear interest at a rate not to exceed 2.50% per annum. Annual principal payments are due on January 1 and semi-annual interest payments on January 1 and July 1. Amounts representing interest paid totaled \$19,313.

Independence Bank of Kentucky

In March 2018, the City obligated itself for a loan in the amount of \$140,000 with Independence Bank of Kentucky to finance repairs to the sewer system. The note bears interest at 3.45% and calls for 59 monthly principal and interest payments of \$1,381 and a balloon payment of \$77,398. Interest paid during the year ended June 30, 2021 was \$2,930. The debt was paid in full during the fiscal year ending June 30, 2021 and refinanced at First United Bank and Trust Company.

First United Bank and Trust Company

In December 2020, the City obligated itself for a loan in the amount of \$107,995 with First United Bank and Trust Company to refinance a loan at Independence Bank of Kentucky to repair the sewer system. The note bears interest at 2.50% and calls for 88 monthly principal and interest payments of \$1,347. Interest paid during the year ended June 30, 2021 was \$1,398.

Maturities of the loan obligation as of June 30, 2020 are:

Notes from Direct Borrowings			
<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$ 13,754	\$ 2,410	\$ 16,164
2023	14,107	2,057	16,164
2024	14,464	1,700	16,164
2025	14,840	1,214	16,054
2026	15,220	944	16,164
2027 - 2031	<u>28,926</u>	<u>708</u>	<u>29,634</u>
Total	<u>\$ 101,311</u>	<u>\$ 9,033</u>	<u>\$ 110,344</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

8. GOVERNMENT WIDE ACTIVITIES DEBT, CONTINUED

The following is a summary of the changes in long-term debt for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities					
Notes from Direct Borrowings	\$ -	\$ 48,780	\$ 48,780	\$ -	\$ -
Net Pension Liability	77,718	48,558	-	126,276	-
Net OPEB Liability	17,225	22,956	-	40,181	-
Total Governmental Activities	\$ 94,943	\$ 120,294	\$ 48,780	\$ 166,457	\$ -
Business-Type Activities					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
1995 Revenue Bonds Payable	\$ 253,500	\$ -	\$ 12,000	241,500	\$ 13,000
2013 Revenue Bonds Payable	2,454,583	-	87,082	2,367,501	90,000
2016 Revenue Bonds Payable	1,188,500	-	21,500	1,167,000	22,000
Less Unamortized Bond Discount	(46,885)	-	(2,344)	(44,541)	-
Notes from Direct Borrowings	111,552	107,995	118,236	101,311	13,754
Net Pension Liability	189,186	79,230	-	268,416	-
Net OPEB Liability	46,605	37,452	-	84,057	-
Total Business-Type Activities	\$ 4,197,041	\$ 224,677	\$ 236,474	\$ 4,185,244	\$ 138,754

Annual principal and interest requirements of the revenue bonds payable as of June 30, 2021 are:

Bonds Payable				
Year Ended June 30,	Principal	Interest	Fees	Total Debt Service
2022	\$ 125,000	\$ 130,381	\$ 6,369	\$ 261,750
2023	128,084	126,653	6,144	260,881
2024	134,583	122,406	5,914	262,903
2025	138,500	117,527	5,671	261,698
2026	142,083	112,493	5,421	259,997
2017 - 2031	803,917	479,523	23,026	1,306,466
2032 - 2036	973,083	311,032	14,982	1,299,097
2037 - 2041	729,752	116,434	4,694	850,880
2042 - 2046	190,500	45,849	-	236,349
2047 - 2051	215,500	29,981	-	245,481
2052 - 2056	195,000	11,164	-	206,164
Total	\$ 3,776,002	\$ 1,603,443	\$ 72,221	\$ 5,451,666

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

9. LITIGATION, CONTINGENCIES AND COMMITMENTS

Litigation

The City is unaware of any pending or threatened litigation, or claims in which it is involved which would have a material effect on these primary government financial statements.

Contingencies

The City participates in a number of federal and state assisted grant programs, principal of which are the Municipal Road Aid and the Local Government Economic Aid. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2021, may not yet have been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City anticipates that any disallowed expenditures would be immaterial.

Commitments

At June 30, 2021, the City did not have any committed funds.

10. MAJOR CUSTOMER
Sewer Treatment Services

In November 1994, the City entered into a long-term contract to provide sewer treatment services to the City of Mortons Gap. The term of the agreement is for 45 years, with amendments possible upon the consent of both parties. The City bills the City of Mortons Gap monthly for the sewer treatment. Total sales to the City of Mortons Gap for the year ended June 30, 2021, were \$136,781. This amount constitutes 23% of the total revenue.

In January 2020, the City entered into a long-term contract to provide sewer treatment services to the City of White Plains. The term of the agreement is for 10 years, with amendments possible upon the consent of both parties. The City bills the City of White Plains monthly for the sewer treatment. Total sales to the City of White Plains for the year ended June 30, 2021, were \$88,077. This amount constitutes 15% of the total revenue.

11. EMPLOYEE'S RETIREMENT PLAN
County Employees' Retirement System

Plan Description

The City of Nortonville, Kentucky is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems Board of Trustees (KRS Board) established pursuant to Kentucky Revised Statutes (KRS) Section 78.630. KRS Section 61.645 grants the authority to establish and amend the benefit terms to the KRS Board. All City employees participating in the CERS are classified as having either a hazardous or nonhazardous position for the purpose of KRS 61.592. Kentucky Retirement Systems issues a publicly available comprehensive annual financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Benefits Provided

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

Non-hazardous members:

Tier 1	Participation Date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation Date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation Date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Contributions

State statute required active members to contribute a percentage of creditable compensation based on the tier:

Required Contributions

Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2021, the employer contribution rate was 19.30% of members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's employer contribution requirements and amounts contributed to CERS for the year ended June 30, 2021 were \$47,769. Of this amount, \$38,318 is considered contributed to the pension requirement and \$9,451 is considered contributed to the health insurance requirement.

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

At June 30, 2021, the City reported a net pension liability of \$394,692 for its proportionate share of the CERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that June 30, 2019, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the year ended June 30, 2020. This method is expected to be reflective of the City's long-term contribution effort. For the year ended June 30, 2020, the City's proportion was 0.005146% for nonhazardous classified employees.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

For the year ended June 30, 2021, the City recognized pension expense of \$99,959. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 9,842	\$ -
Net difference between projected and actual investment earnings on pension plan investments	9,877	-
Changes of assumptions	15,412	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,637	(1,642)
Contributions subsequent to the measurement date	<u>38,318</u>	<u>-</u>
Total	<u>\$ 142,086</u>	<u>\$ (1,642)</u>

Deferred Outflows of Resources

The \$38,318 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization/(Accretion) Deferred Outflows (Inflows)</u>
2022	\$ 52,198
2023	37,354
2024	8,607
2025	3,967
2026	-
Total	<u>\$ 102,126</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 actuarial valuation was based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2019. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018." The total pension liability as of June 30, 2020 is determined using these updated assumptions.

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Remaining amortization period	24 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 11.55%, varies by service
Investment rate of return	6.25% net of pension plan investment expense, including inflation

The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 years for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of an actuarial experience study. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2013 - June 30, 2018.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

The target allocation and best estimates of arithmetic nominal rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate</u>
Growth:		
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity:		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies:		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability for the plan was 6.25% for nonhazardous employees. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 6.25%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate (6.25%):

	Current		
	<u>1% Decrease (5.25%)</u>	<u>Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Non-Hazardous			
City's Proportionate Share of Net Pension Liability	\$ 486,744	\$ 394,692	\$ 318,473

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Changes of assumptions: The Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018".

Payables to the Pension Plan

At June 30, 2021, the City had paid its contractually required employee and employer contributions for the pension and OPEB plan, primarily for the month ended June 30, 2021. The obligation was paid within prescribed time limits.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Retirement Systems and can be found at <https://kyret.ky.gov>.

Other Post Employment Benefit Plan (OPEB)

Plan Description

Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement Systems (SPRS). The City is a participating member of the CERS. The plan issues publicly available financial statements which may be found at <https://kyret.ky.gov>.

The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

The CERS Non-hazardous Insurance Funds is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Membership in the CERS Non-Hazardous Insurance Fund consisted of the following as of June 30, 2019, the date of the latest actuarial valuation:

<u>Membership Status</u>	<u>Non-hazardous</u>
Retirees & beneficiaries currently receiving benefits	36,371
Inactive members entitled to but not yet receiving benefits	29,362
Active plan members	<u>81,147</u>
Total plan members	<u><u>146,880</u></u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2020 actuarial valuation was based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total OPEB liability as of June 30, 2020, is determined using these updated assumptions.

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	25 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 11.55%, varies by service
Payroll growth rate	2.00%, CERS non-hazardous
Investment rate of return	6.25% net of plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of an actuarial experience study. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2013 - June 30, 2018.

The target allocation and best estimates of arithmetic nominal rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate</u>
Growth:		
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity:		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies:		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	<u>100.00%</u>	

Discount rate

The single discount rates of 5.34% for CERS Non-hazardous based on the long-term expected rate of return on OPEB plan investments of 6.25% and a long-term municipal bond rate of 2.45% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Implicit Subsidy

The fully-insured premiums KRS pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after the measurement date. The City's implicit subsidy for the year ended June 30, 2021 was \$3,049.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of percent, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.34%) or one percentage point higher (6.34%) than the current rate (5.34%):

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Non-Hazardous			
City's Net Other Post-Employment Benefits Liability	\$ 159,607	\$ 124,238	\$ 95,185

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous			
City's Net Other Post-Employment Benefits Liability	\$ 96,190	\$ 124,238	\$ 158,271

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Contributions

Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2021, the employer contribution rate was 4.76% of members' nonhazardous salaries. The City contributed \$9,451 to nonhazardous or 100% of the required contribution to the insurance fund for the year ended June 30, 2021.

Employees hired after September 1, 2008 are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to 401(h) account is non-refundable.

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

At June 30, 2021, the City reported a net OPEB liability of \$124,238 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled-forward to June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was determined using the City's actual contributions for the plan year ended June 30, 2020. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2020, the City's proportion was 0.005145% for nonhazardous classified employees.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

For the year ended June 30, 2021, the City recognized OPEB expense of \$23,904. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$ (16)
Net difference between projected and actual investment earnings on pension plan investments	4,129	-
Changes of assumptions	21,610	(131)
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,344	(1,230)
Contributions subsequent to the measurement date	<u>9,451</u>	<u>-</u>
Total	<u>\$ 67,534</u>	<u>\$ (1,377)</u>

The \$9,451 deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and the June 30, 2021 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

<u>Year Ended June 30,</u>	<u>Amortization/(Accretion) Deferred Outflows (Inflows)</u>
2022	\$ 15,391
2023	16,613
2024	14,255
2025	10,821
2026	<u>(375)</u>
Total	<u>\$ 56,705</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

11. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Payables to the OPEB Plan

At June 30, 2021, the City had paid its contractually required employee and employer contributions for the pension and OPEB plan, primarily for the month ended June 30, 2021. The obligation was paid within prescribed time limits.

12. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

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

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Similar activities in which a component unit is a party are captioned as “receivables/payables” for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as “external” receivables and payables.

Primary government transfers at June 30, 2021 were:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<u>Governmental Funds</u>			
General Fund	\$ -	\$ 2,117	\$ (2,117)
Total Governmental Funds	<u>\$ -</u>	<u>\$ 2,117</u>	<u>\$ (2,117)</u>
<u>Proprietary Funds</u>			
Sewer Enterprise Fund	\$ 7,681	\$ -	\$ 7,681
Water Enterprise Fund	4,936	10,500	(5,564)
Total Proprietary Funds	<u>\$ 12,617</u>	<u>\$ 10,500</u>	<u>\$ 2,117</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Insurance Premium Taxes	\$ 130,000	\$ 130,000	\$ 138,836	\$ 8,836
Property Taxes	76,945	76,945	87,969	11,024
Occupational Taxes	53,598	53,598	49,976	(3,622)
Franchise Taxes	30,644	30,644	32,266	1,622
Other Taxes	3,000	3,000	3,327	327
Intergovernmental Revenue	5,600	5,600	2,730	(2,870)
Capital Grants	400,000	400,000	101,878	(298,122)
Public Safety	22,600	22,600	41,037	18,437
Operating Grants	5,705	5,705	-	(5,705)
Other Revenues	5,775	5,775	7,074	1,299
Interest	1,500	1,500	606	(894)
Total Revenues	<u>735,367</u>	<u>735,367</u>	<u>465,699</u>	<u>(269,668)</u>
Expenditures				
General Government	168,642	168,642	220,109	51,467
Public Safety	34,350	34,350	39,501	5,151
Public Streets	24,236	24,236	21,665	(2,571)
Library	9,066	9,066	940	(8,126)
Debt Service	-	-	49,052	49,052
Capital Outlay	451,305	451,305	86,964	(364,341)
Total Expenditures	<u>687,599</u>	<u>687,599</u>	<u>418,231</u>	<u>(269,368)</u>
Excess (Deficiency) of Revenues over Expenditures	47,768	47,768	47,468	300
Other Financing Sources (Uses)				
Proceeds from Issuance of Debt	-	-	10,963	10,963
Proceeds from Borrowing	-	-	48,780	48,780
Transfers	(17,798)	(17,798)	(8,000)	9,798
Total Other Financing Sources (Uses)	<u>(17,798)</u>	<u>(17,798)</u>	<u>51,743</u>	<u>69,541</u>
Net Change in Fund Balance	<u>\$ 29,970</u>	<u>\$ 29,970</u>	<u>\$ 99,211</u>	<u>\$ 69,241</u>

CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30

Non-Hazardous	2021	2020	2019	2018	2017	2016	2015
Total Net Pension Liability (Asset) for County Employee Retirement System	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,463	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,376,263
City's Proportion of the Net Pension Liability (Asset)	0.005146%	0.003795%	0.003879%	0.002310%	0.003788%	0.005113%	0.005068%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 394,692	\$ 266,904	\$ 236,243	\$ 135,211	\$ 186,501	\$ 219,858	\$ 164,000
City's Covered-Employee Payroll	\$ 198,541	\$ 135,972	\$ 95,738	\$ 96,746	\$ 56,250	\$ 89,228	\$ 118,906
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	198.80%	196.29%	246.76%	139.76%	331.56%	246.40%	137.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REQUIRED CONTRIBUTIONS - PENSION
FOR THE YEARS ENDED JUNE 30**

Non-Hazardous	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 38,318	\$ 26,243	\$ 15,529	\$ 14,009	\$ 7,847	\$ 11,082	\$ 15,160
Contributions in Relation to the Contractually Required Contribution	<u>(38,318)</u>	<u>(26,243)</u>	<u>(15,529)</u>	<u>(14,009)</u>	<u>(7,847)</u>	<u>(11,082)</u>	<u>(15,160)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 198,541	\$ 135,972	\$ 95,738	\$ 96,746	\$ 56,250	\$ 89,228	\$ 118,906
Contributions as a Percentage of Covered-Employee Payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET
OTHER POST-EMPLOYMENT BENEFITS LIABILITY
FOR THE YEARS ENDED JUNE 30**

Non-Hazardous	2021	2020	2019	2018
Total Net Other Post-Employment Benefits Liability (Asset) for County Employee Retirement System	\$ 2,414,695,884	\$ 1,681,954,950	\$ 1,775,480,122	\$ 2,010,342,058
City's Proportion of the Net Other Post-Employment Benefits Liability (Asset)	0.005145%	0.003795%	0.003879%	0.002310%
City's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset)	\$ 124,238	\$ 63,830	\$ 68,871	\$ 46,439
City's Covered-Employee Payroll	\$ 198,541	\$ 135,972	\$ 99,013	\$ 96,746
City's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset) as a Percentage of Its Covered-Employee Payroll	62.58%	46.94%	69.56%	48.00%
Plan Fiduciary Net Position as a Percentage of the Total Other Post-Employment Benefits Liability	51.67%	60.44%	57.62%	52.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REQUIRED CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEARS ENDED JUNE 30

Non-Hazardous	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution (Implicit Subsidy Omitted)	\$ 9,451	\$ 6,472	\$ 5,207	\$ 4,547
Contributions in Relation to the Contractually Required Contribution	<u>(9,451)</u>	<u>(6,472)</u>	<u>(5,207)</u>	<u>(4,547)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 198,541	\$ 135,972	\$ 99,013	\$ 96,746
Contributions as a Percentage of Covered-Employee Payroll	4.76%	4.76%	5.26%	4.70%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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

1. Changes of Benefit Terms

There were no changes made by the Kentucky Legislature to the benefit terms for fiscal year ended June 30, 2021.

2. Changes of Assumptions

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.



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

To the Mayor and Members of the City Council
City of Nortonville, 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 Nortonville, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Nortonville, Kentucky's basic financial statements, and have issued our report thereon dated July 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Nortonville, Kentucky'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 City of Nortonville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Nortonville, Kentucky's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Summary Schedule of Findings and Responses as Findings 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

To the Mayor and Members of the City Council
City of Nortonville, Kentucky
July 8, 2022

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Nortonville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*, and which are described in the accompanying Summary Schedule of Findings and Responses as Findings 2021-001, 2021-002, and 2021-003.

City of Nortonville, Kentucky's Response to Findings

City of Nortonville, Kentucky's response to the findings identified in our audit is described in the accompanying Summary Schedule of Findings and Responses. City of Nortonville, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Calhoun & Company

Hopkinsville, Kentucky
July 8, 2022

**CITY OF NORTONVILLE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 2020-001

Condition: This finding was a significant deficiency related to an absence of appropriate segregation of duties consistent with appropriate control objectives.

Recommendation: The auditor recommended that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Current Status: Management's original response was to concur with the finding, but to note that it was not economically feasible to hire additional employees. The City Clerk has been working with staff and the Mayor to implement controls to strengthen the oversight and monitoring over the financial operations of the City of Nortonville. However, since the fiscal year ended June 30, 2019 audit was not issued until July 21, 2021, the controls were not in place for fiscal year ended June 30, 2021. This will remain a finding (Finding 2021-001) for fiscal year ended June 30, 2021.

Finding 2020-002

Condition: This finding was a significant deficiency related to an absence of an appropriate written statements of procedure that addresses all financial processes.

Recommendation: The auditor recommended that management create standard operating procedures and cross train its employees.

Current Status: Management's original response was that they concurred with the finding. As of June 30, 2021, no official written statement of procedure was implemented. This will remain a finding (Finding 2021-002) for fiscal year ended June 30, 2021.

Finding 2020-003

Condition: This finding was a significant deficiency related to the lack of account reconciliation being completed, specifically with inventory.

Recommendation: The auditor recommended that management develop a plan to require regular reconciliations of all asset and liability accounts.

Current Status: As of June 2022, management is implementing a quarterly required inventory count. As this finding was not communicated until June 2022, this will remain a finding (Finding 2021-003) for fiscal year ended June 30, 2022.

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

Finding 2021-001

Criteria: A prudent control environment requires various functions of internal control be allocated among various employees.

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Cause: Lack of personnel.

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

Recommendation: We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to size of staff, management should maintain its awareness of the weakness and compensate with other controls.

Management's Response: Management is working toward the full implementation of controls to offset the lack of personnel to separate the responsibilities. This will be fully implemented in fiscal year ended June 30, 2022.

Finding 2021-002

Criteria: A prudent control environment requires that a standard operating procedure be in place.

Condition: There is an absence of appropriate written statements of procedure. These statements should address all financial processes.

Cause: Lack of oversight concerning job descriptions and general control policies.

Effect: Delays in operations due to a lack of cross-training could result from one or more of the office staff being absent.

Recommendation: We recommend that management create standard operating procedures and cross train its employees.

Management's Response: Management is working toward the full implementation of controls and the documentation of such controls. This should be fully implemented in fiscal year ended June 30, 2022.

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

Finding 2021-003

Criteria: A system of good accounting controls would mandate that all asset and liability accounts in addition to bank accounts would be timely reconciled and adjustments made as needed to correct balances.

Condition: The account reconciliation for inventory is not being completed.

Cause: There is no accounting policy to require an inventory reconciliation.

Effect: Material errors could be made, or misappropriation of assets could occur and not be detected.

Recommendation: Management should develop a plan to require regular reconciliations of all asset and liability accounts.

Management's Response: As of June 30, 2022, management will require a regularly scheduled inventory count to be done. This will allow for reconciliation to the general ledger on a regular basis.