

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF THE CITY OF	)	
BURKESVILLE TO INCREASE ITS WHOLESALE	)	CASE NO.
RATE TO CUMBERLAND COUNTY WATER	)	2024-00075
DISTRICT	)	

ORDER

On March 1, 2024, the city of Burkesville (Burkesville) filed a tariff to increase its wholesale water rates to Cumberland County Water District (Cumberland District). Burkesville’s proposed tariff had an effective date of April 15, 2024, but contained three rate increases to be phased in over a two-year period with the first phase becoming effective April 15, 2024, the second phase becoming effective April 15, 2025, and the third phase becoming effective April 15, 2026.

The proposed rate for Phase 1 reflects an increase of \$0.32 per 1,000 gallons, or 14.9 percent, from \$2.15 per 1,000 gallons to \$2.47 per 1,000 gallons. The proposed rate for Phase 2 reflects an increase of \$0.37 per 1,000 gallons, or 15 percent, from \$2.47 per 1,000 gallons to \$2.84 per 1,000 gallons. Finally, the proposed rate for Phase 3 reflects an increase of \$0.42 per 1,000 gallons, or 14.8 percent, from \$2.84 per 1,000 gallons to \$3.26 per 1,000 gallons. Burkesville responded to two requests for information from Commission Staff. One of the responses included a new water purchase contract that was executed by Burkesville and Cumberland District reflecting the proposed rate increases. The responses are attached as Appendix B to this Order and are made a part of the evidentiary record of this case.

Burkesville based its proposed rates on a wholesale rate study prepared by Kentucky Rural Water Association. That study showed a computed wholesale rate of \$3.11 per 1,000 gallons. Commission Staff's review of the rate study and other information provided by Burkesville shows that the proposed Phase 1 and Phase 2 rates are reasonable. However, no information has been provided to date that would allow the Commission to determine the reasonableness of the proposed Phase 3 rates. Burkesville did indicate that Cumberland District requested that the proposed rate be implemented over three years. Burkesville also argued that as a result of implementing the rate over a three-year period, the revenue collected by Burkesville during those three years would be approximately \$140,000 less than if the \$3.11 per 1,000 gallons rate was implemented as a one-time increase.

#### LEGAL STANDARD

The Commission has exclusive jurisdiction over the rates and service of utilities and is charged with enforcing the provisions of KRS Chapter 278.<sup>1</sup> A city-owned utility is generally exempt from the Commission's exclusive jurisdiction over utility rates and services.<sup>2</sup> However, pursuant to KRS 278.200, the Commission may, under the provisions of KRS Chapter 278:

[O]riginate, establish, change, promulgate and enforce any rate or service standard of any utility that has been or may fixed by any contract, franchise or agreement between the utility and any city, and all rights, privileges and obligations arising out of any such contract, franchise or agreement,

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<sup>1</sup> See KRS 278.040.

<sup>2</sup> See KRS 278.030(3) (excluding city utilities from the definition of utilities subject to Commission jurisdiction).

regulating any such rate or service standard, shall be subject to the jurisdiction and supervision of the commission.<sup>3</sup>

The Kentucky Supreme Court held that a city providing utility service loses its exemption and “is rendered subject to the PSC rates and service regulation” pursuant to KRS 278.200 when it enters into a contract to provide wholesale utility service to a public utility subject to the Commission’s jurisdiction.<sup>4</sup>

KRS 278.030 provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. “Whenever any utility files with the commission any schedule stating new rates, the commission may, upon its own motion . . . , and upon reasonable notice, hold a hearing concerning the reasonableness of the new rates.”<sup>5</sup> Pending the final decision on a proposed schedule or rate, “the commission may, at any time before the schedule becomes effective, suspend the operation of the schedule and defer the use of the rate, charge, classification, or service” for a period up to five months beyond the time when it would otherwise go into effect if a historical test period is used, and up to six months if a forward-looking test period is used.<sup>6</sup>

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<sup>3</sup> KRS 278.200.

<sup>4</sup> *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994); see also *City of Russellville v. Public Service Com’n of Kentucky*, No. 2003-CA-002132-MR, 2005 WL 385077 (Ky. App. Feb. 18, 2005) (unpublished) (in which the court found that a city’s failure to provide water districts notice and file a proposed wholesale rate increase for water districts pursuant to the provisions of KRS Chapter 278 and 807 KAR 5:011 prevented the city from charging the rate).

<sup>5</sup> KRS 278.190(1).

<sup>6</sup> KRS 278.190(2).

## DISCUSSION

Having reviewed the proposed tariff and water purchase contract, the Commission finds that the proposed Phase 1 and Phase 2 rates are reasonable and should be approved. The Commission also finds that an investigation is necessary to determine the reasonableness of the proposed Phase 3 rate, mainly to obtain evidence supporting the proposed rate, and that such investigation cannot be completed by April 15, 2024, when Burkesville proposed that the tariff containing all rates would become effective. Pursuant to KRS 278.190(2), the Commission will therefore suspend the effective date of the proposed Phase 3 rate, along with the portion of the water purchase contract setting forth the Phase 3 rate, for five months, up to and including September 14, 2024.<sup>7</sup>

The Commission directs Burkesville to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>8</sup> in which the Commission mandated the use of electronic filing procedures listed in 807 KAR 5:001, Section 8. Consistent with the filing procedures set forth in Case No. 2020-00085, the Commission finds that electronic filing procedures should be used.

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<sup>7</sup> The Commission notes that even if Burkesville's tariff were accepted as filed, that the Phase 3 rate would not actually be charged until 2026. For that reason, if the portions of the schedule containing those rates are placed into effect subject to refund on September 14, 2024, after the suspension period, the Phase 3 rate could still not be charged, because it would be subject to the conditions in the tariff regarding when it may be charged. However, it is necessary to suspend the tariff with respect to the Phase 3 rate while evidence is collected to determine its reasonableness to ensure that the Phase 3 rate, subject to the conditions included in the tariff, are not deemed to be filed rates given the April 15, 2024, effective date included in the tariff as a whole.

<sup>8</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed tariff. The procedural schedule is attached as Appendix A to this Order.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Burkesville's proposed Phase 3 wholesale rate to Cumberland District.

2. Burkesville's proposed Phase 1 wholesale rate of \$2.47 per 1,000 gallons is approved for service rendered on and after April 15, 2024.

3. Burkesville's proposed Phase 2 wholesale rate of \$2.84 per 1,000 gallons is approved for service rendered on and after April 15, 2025.

4. Within 20 days of the date of service of this Order, Burkesville shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariff sheet setting forth the rates approved herein and reflecting their effective date and that they were authorized by this Order.

5. Burkesville's proposed Phase 3 wholesale rate, as well as the portion of the water purchase contract reflecting the proposed Phase 3 wholesale rate, is suspended for five months from April 15, 2024, up to and including September 14, 2024.

6. Burkesville shall, by counsel, enter an appearance in this proceeding within seven days of the date of service of this Order. The entry of appearance shall include the name, address, telephone number, fax number, and electronic mail address of counsel.

7. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to service and electronic filing of papers shall be followed in this proceeding.

8. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of the date of service of this Order, Burkesville shall file by electronic means a written statement that it waives any right to service of Commission Orders by United States mail and that it or its authorized agent possess the facilities to receive electronic submissions.

9. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of service of an order of the Commission granting intervention, file with the Commission a written statement that:

(1) It or its authorized agent possesses the facilities to receive electronic transmissions; and

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding shall be served.

10. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

11. The procedural schedule set forth in Appendix A to this Order shall be followed.

12. Any party shall respond to all requests for information propounded by Commission Staff, whether identified on the procedural schedule or otherwise, as provided in those requests.

13. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding, which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

14. Any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

15. Burkesville shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statements: "This hearing will be streamed live and may be viewed on the PSC website, [psc.ky.gov](http://psc.ky.gov)" and "Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do so by following the

instructions listed on the PSC website, psc.ky.gov.” At the time publication is requested, Burkesville shall forward a duplicate of the notice and request to the Commission.

16. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

17. Any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the hearing shall be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing.

18. Witnesses who sponsor schedules, testimony, or responses to requests for information shall participate in person at any hearing scheduled in this matter.

19. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

20. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of times with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

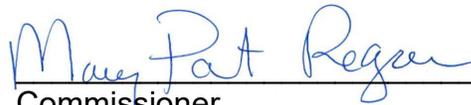
21. The Commission does not look favorably upon motions to excuse witnesses from testifying at Commission hearings. Accordingly, motions to excuse a witness from testifying at a Commission hearing or from testifying in person at a Commission hearing shall be made in writing and will be granted only upon a showing of good cause.

22. The Executive Director shall serve a copy of this Order upon Cumberland District.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Vice Chairman

  
\_\_\_\_\_  
Commissioner

ENTERED  
APR 08 2024  
rCS  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director *For*

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00075 DATED APR 08 2024

Requests for intervention shall be filed no later than ..... 04/23/2024

Initial requests for information to Burkesville  
shall be filed no later than ..... 04/30/2024

Burkesville shall file responses to  
initial requests for information no later than..... 05/14/2024

All supplemental requests for information to Burkesville  
shall be filed no later than ..... 05/30/2024

Burkesville shall file responses to supplemental requests  
for information no later than ..... 06/13/2024

Intervenor testimony, if any, in verified prepared  
form shall be filed no later than.... 06/20/2024

All requests for information to Intervenors shall  
be filed no later than ..... 07/03/2024

Intervenors shall file responses to requests for  
information no later than..... 07/17/2024

Burkesville shall file, in verified form, its rebuttal  
testimony no later than ..... 07/24/2024

Burkesville or any Intervenor shall request either a  
hearing or that the case be submitted for decision  
based on the record no later than ..... 07/31/2024

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00075 DATED APR 08 2024

ONE HUNDRED SIXTY FIVE PAGES TO FOLLOW

## Hinton, Daniel E (PSC)

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**From:** Bob Miller  
**Sent:** Friday, March 8, 2024 4:48 PM  
**To:** Hinton, Daniel E (PSC)  
**Subject:** Background Information on City of Burkesville Wholesale Rate to Cumberland County Water District  
**Attachments:**

**\*\*CAUTION\*\* PDF attachments may contain links to malicious sites. Please contact the COT Service Desk [ServiceCorrespondence@ky.gov](mailto:ServiceCorrespondence@ky.gov) for any assistance.**

### This Message Originated from Outside the Organization

This Message Is From an External Sender.

Report Suspicious

Good afternoon, Daniel.

In response to your request during our telephone call this morning, following is a brief summary of the background information on the City of Burkesville wholesale water rate to Cumberland County Water District:

1. Burkesville Municipal Water Works sold water to Cumberland County Water District on a wholesale basis under Water Purchase Contract signed in 2017. This contract contained the terms and conditions under which new pricing would be negotiated after five years (*see attached Water Purchase Contract September 21 2017*).
2. Burkesville Municipal Water Works contacted Kentucky Rural Water Association on October 12, 2022 to request a wholesale cost-of-service water rate study based upon current expenses. KRWA sent a proposal which Burkesville accepted on November 18, 2022.
3. The rate study was completed and delivered to Burkesville on November 27, 2023. KRWA and Burkesville met with Cumberland County Water District board chairman and staff to present the rate study report results on January 19, 2024. Based upon the wholesale rate study, the computed wholesale rate would be \$3.11 per thousand gallons. This represents an increase of \$0.96 per thousand gallons or 44.7% over the current rate of \$2.15.
4. Burkesville and Cumberland County continued to meet and negotiate terms of a new Water Purchase Contract. Cumberland County expressed a willingness to accept the results of the wholesale rate study provided that the 44.7% increase could be implemented over three years. Burkesville expressed a willingness to accommodate Cumberland County by implementing the increase in three steps of 14.7%, 15.0%, and 15.0%.
5. Cumberland County acknowledged that, as a result of the three-year implementation, the rate in the third year would be \$3.26, which is higher than a one-time increase to \$3.11. Burkesville acknowledged that, likewise as a result of the three-year implementation, the revenue collected during the three years would be approximately \$140,496 less than if the \$3.11 rate was implemented as a one-time increase.

#### **Three Years of Revenue from One-Time 44.7% Increase**

184,863 thousand gallons sold per year  
X \$3.11 per thousand gallons  
= \$574,924 for one year  
X 3 years

= \$1,724,772 for three years

**Three Years of Revenue from Annual Increases of 14.7%, 15.0%, and 15.0%**

184,863 gallons sold per year  
X \$2.47 per thousand gallons  
= \$456,612 for year 1

184,863 gallons sold per year  
X \$2.84 per thousand gallons  
= \$525,011 for year 2

184,863 gallons sold per year  
X \$3.26 per thousand gallons  
= \$602,653 for year 3

= \$1,584,276 for three years.

**Three Year Difference \$140,496**

6. Burkesville and Cumberland County signed a new Water Purchase Agreement dated February 15, 2024 to memorialize their negotiation and agreement. *(see attached Water Purchase Contract February 15, 2024.*

Please let me know if I can be of further assistance on this matter.

Bob

**Robert K. Miller**



## Hinton, Daniel E (PSC)

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**From:** Bob Miller  
**Sent:** Wednesday, March 6, 2024 2:37 PM  
**To:** Hinton, Daniel E (PSC)  
**Cc:** Rogness, Benjamin (PSC); Abshire, Jeff A (PSC)  
**Subject:** RE: City of Burkesville Audits and Water Purchase Contract  
**Attachments:** Audit Report June 30 2021.pdf

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**This Message Originated from Outside the Organization**

This Message Is From an External Sender.

Report Suspicious

Good afternoon, Daniel.

See attached Audit Report 2021.

Bob

Robert K. Miller



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**From:** [Hinton, Daniel E \(PSC\)](#)  
**Sent:** Wednesday, March 6, 2024 2:04 PM  
**To:** [Bob Miller](#)  
**Cc:** [Rogness, Benjamin \(PSC\)](#); [Abshire, Jeff A \(PSC\)](#)  
**Subject:** RE: City of Burkesville Audits and Water Purchase Contract

Mr. Miller,

Could you provide a copy of the 2021 Audit too?

Thanks.

Daniel

---

**From:** Bob Miller  
**Sent:** Monday, March 4, 2024 7:44 PM  
**To:** Hinton, Daniel E (PSC) <[dehinton@ky.gov](mailto:dehinton@ky.gov)>  
**Cc:** Rogness, Benjamin (PSC) <[benjamin.rogness@ky.gov](mailto:benjamin.rogness@ky.gov)>  
**Subject:** City of Burkesville Audits and Water Purchase Contract

**\*\*CAUTION\*\* PDF attachments may contain links to malicious sites. Please contact the COT Service Desk [ServiceCorrespondence@ky.gov](mailto:ServiceCorrespondence@ky.gov) for any assistance.**

Good evening, Daniel.

Attached is a copy of the 2022 Audit and the 2023 Audit for City of Burkesville.

Also attached is a signed copy of the Water Purchase Contract between City of Burkesville and Cumberland County Water District agreeing to the new rates.

Thanks.

Bob  
**Robert K. Miller**

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**From:** [Bob Miller](#)  
**Sent:** Friday, March 1, 2024 5:46 PM  
**To:** [Hinton, Daniel E \(PSC\)](#)  
**Cc:** [Rogness, Benjamin \(PSC\)](#)  
**Subject:** City of Burkesville Wholesale Rate Model

Good afternoon, Daniel.

Attached is a copy of the wholesale rate model. Also attached is a copy of the Wholesale Rate Study Report that was prepared for City of Burkesville and shared with Cumberland County Water District.

I will forward copies of the last two audits to you shortly once I receive them from the City Clerk.

I will also be forwarding to you a copy of the contract that City of Burkesville and Cumberland County Water District signed agreeing to the new rates.

Kentucky Rural Water District will be assisting Cumberland County Water District with their Purchased Water Adjustment documentation.

Thanks.

Bob  
**Robert K. Miller**

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**From:** [Hinton, Daniel E \(PSC\)](#)  
**Sent:** Friday, March 1, 2024 8:43 AM  
**To:** [Bob Miller](#)  
**Cc:** [Rogness, Benjamin \(PSC\)](#);  
**Subject:** RE: CORRECTION: City of Burkesville Wholesale Customer Notice and Tariff

Mr. Miller,

We will get this set up for review. We will need a copy of the rate study as well as the city's last 2 audits.

You can just email those documents to us at the above addresses.

If you have any questions, please let us know.

Thanks.

Daniel

---

**From:** Bob Miller <[bob.miller@straightlineky.com](mailto:bob.miller@straightlineky.com)>  
**Sent:** Thursday, February 29, 2024 6:12 PM  
**To:** PSC Executive Director <[PSCED@ky.gov](mailto:PSCED@ky.gov)>  
**Cc:** City of Burkesville Burkesville ; Coleman Hurt  
**Subject:** CORRECTION: City of Burkesville Wholesale Customer Notice and Tariff

**\*\*CAUTION\*\* PDF attachments may contain links to malicious sites. Please contact the COT Service Desk [ServiceCorrespondence@ky.gov](mailto:ServiceCorrespondence@ky.gov) for any assistance.**

Good afternoon.

Attached please find the corrected copy of the Customer Notice and Tariff sent by City of Burkesville to Cumberland County Water District. The previous notice and tariff were incorrect because they showed the rate effective on April 15, 2026 as \$3.27; the correct rate is \$3.26.

City of Burkesville and Cumberland County Water District have met to review the rate study results. It is my understanding that they have agreed to the rates on the attached corrected tariff sheet. Kentucky Rural Water Association will be assisting Cumberland County Water District in preparation of their Purchased Water Adjustment documentation.

Please replace the attachments to the previous email with the corrected attachments to this email. Please let me know if you have any questions.

Bob  
502-500-1458

**Robert K. Miller**

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**From:** [Bob Miller](#)  
**Sent:** Thursday, February 29, 2024 3:06 PM  
**To:** [psced@ky.gov](mailto:psced@ky.gov)  
**Cc:** [City of Burkesville Burkesville](#)  
**Subject:** City of Burkesville Wholesale Customer Notice and Tariff

Good afternoon.

Attached please find the Customer Notice and Tariff sent by City of Burkesville to Cumberland County Water District.

City of Burkesville and Cumberland County Water District have met to review the rate study results. It is my understanding that they have agreed to the rates on the attached tariff sheet. Kentucky Rural Water Association will be assisting Cumberland County Water District in preparation of their Purchased Water Adjustment documentation.

Please let me know if you have any questions.

Bob  
502-500-1458

**Robert K. Miller**

**CITY OF BURKESVILLE, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CITY OF BURKESVILLE, KENTUCKY  
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FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF BURKESVILLE  
P.O. BOX 250  
BURKESVILLE, KENTUCKY  
(270) 864-4141**

**CITY OFFICIALS AND OFFICERS**

**MAYOR**

Billy Guffey

**MEMBERS OF COUNCIL**

Connie Cravens  
Billy Maxey  
Glen Murphy  
Trevor Owsley  
Jamie Allen  
Odis Young

**OFFICERS**

Marquetta Riley  
City Clerk/Treasurer

Angie Capps  
City Attorney

Lawrence Nettles  
Chief of Police

Greg Cary  
Fire Chief

David McIntyre  
Public Works Director

Ed Peretto  
Water/Wastewater Director

*SK LEE CPAS, P.S.C.*  
*Certified Public Accountants*

*208 Pauline Drive, Suite D*  
*Berea, Kentucky 40403*  
*(859) 986-3756*  
*(859) 986-0103*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called "the City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management 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 the missing information.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplementary information such as the schedule of water and sewer revenues, expenses, and changes in net position on page 39, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
January 20, 2022

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 939,088	\$ 549,225	\$ 1,488,313
Receivables, net	5,009	253,455	258,464
<b>Total Current Assets</b>	<b>944,097</b>	<b>802,680</b>	<b>1,746,777</b>
<b>Non-Current Assets</b>			
Restricted cash	52,813	614,232	667,045
Certificates of deposit	453,502	214,269	667,771
Capital assets:			
Non-depreciable	-	1,098,924	1,098,924
Depreciable, net	573,416	8,162,092	8,735,508
<b>Total Non-Current Assets</b>	<b>1,079,731</b>	<b>10,089,517</b>	<b>11,169,248</b>
<b>Total Assets</b>	<b>2,023,828</b>	<b>10,892,197</b>	<b>12,916,025</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	388,239	195,594	583,833
Deferred amounts related to OPEB	275,070	162,197	437,267
<b>Total Deferred Outflows of Resources</b>	<b>663,309</b>	<b>357,791</b>	<b>1,021,100</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	16,975	146,839	163,814
Accrued expenses	71,928	64,544	136,472
Accrued interest	-	7,076	7,076
Customer deposits payable	-	53,552	53,552
Notes and leases payable, net	3,383	213,756	217,139
<b>Total Current Liabilities</b>	<b>92,286</b>	<b>485,767</b>	<b>578,053</b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	5,919	2,739,467	2,745,386
Net pension liability	2,143,678	1,021,067	3,164,745
Net OPEB liability	664,082	321,368	985,450
<b>Total Non-Current Liabilities</b>	<b>2,813,679</b>	<b>4,081,902</b>	<b>6,895,581</b>
<b>Total Liabilities</b>	<b>2,905,965</b>	<b>4,567,669</b>	<b>7,473,634</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	59,918	27,583	87,501
Deferred amounts related to OPEB	115,502	65,157	180,659
<b>Total Deferred Inflows of Resources</b>	<b>175,420</b>	<b>92,740</b>	<b>268,160</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	564,114	6,307,783	6,871,897
Restricted	52,813	614,232	667,045
Unrestricted (deficit)	(1,011,175)	(332,433)	(1,343,608)
<b>Total Net Position (Deficit)</b>	<b>\$ (394,248)</b>	<b>\$ 6,589,583</b>	<b>\$ 6,195,334</b>

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

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

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contribution</b>	
<b>Government Activities</b>					
General government	\$ 176,268	\$ -	\$ -	\$ -	\$ (176,268)
Police	1,088,657	261,454	-	-	(827,203)
Fire	108,019	-	22,000	-	(86,019)
Street	223,251	-	-	-	(223,251)
Parks and recreation	104,999	-	-	-	(104,999)
<b>Total Governmental Activities</b>	<b>1,701,194</b>	<b>261,454</b>	<b>22,000</b>	<b>-</b>	<b>(1,417,740)</b>
<b>Business-Type Activities</b>					
Water and sewer	1,299,547	1,095,248	-	435,852	231,553
Sanitation	257,504	256,424	-	-	(1,080)
<b>Total Business-Type Activities</b>	<b>1,557,051</b>	<b>1,351,672</b>	<b>-</b>	<b>435,852</b>	<b>230,473</b>
<b>Total Activities</b>	<b>\$ 3,258,245</b>	<b>\$ 1,613,126</b>	<b>\$ 22,000</b>	<b>\$ 435,852</b>	<b>\$ (1,187,267)</b>

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Change in Net Position</b>			
Net (expense) revenue	\$ (1,417,740)	\$ 230,473	\$ (1,187,267)
<b>General Revenues</b>			
Taxes	111,579	-	111,579
Licenses, permits, and other taxes	1,001,519	-	1,001,519
Intergovernmental	242,200	-	242,200
Services and fees	36,382	-	36,382
Interest income	3,663	2,403	6,066
Miscellaneous	45,563	64,414	109,977
Total General Revenues	1,440,906	66,817	1,507,723
<b>Change in Net Position</b>	<b>23,166</b>	<b>297,290</b>	<b>320,456</b>
<b>Net Position (Deficit), Beginning</b>	<b>(417,414)</b>	<b>6,292,293</b>	<b>5,874,879</b>
<b>Net Position (Deficit), Ending</b>	<b>\$ (394,248)</b>	<b>\$ 6,589,583</b>	<b>\$ 6,195,334</b>

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

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 939,088	\$ -	\$ 939,088
Certificates of deposit	453,502	-	453,502
Accounts receivable	5,009	-	5,009
Restricted cash	27,368	25,445	52,813
<b>Total Assets</b>	<b>\$ 1,424,967</b>	<b>\$ 25,445</b>	<b>\$ 1,450,412</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 16,975	\$ -	\$ 16,975
Accrued expenses	75,311	-	75,311
<b>Total Liabilities</b>	<b>92,286</b>	-	<b>92,286</b>
 <b>Fund Balances</b>			
Restricted	27,368	25,445	52,813
Unassigned	1,305,313	-	1,305,313
<b>Total Fund Balances</b>	<b>1,332,681</b>	<b>25,445</b>	<b>1,358,126</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 1,424,967</b>	 <b>\$ 25,445</b>	 <b>\$ 1,450,412</b>

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

Fund balances reported above	\$ 1,358,126
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	573,416 -
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Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.	487,889
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All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.

Lease Liability	(5,919)
Net pension liability	(2,143,678)
Net OPEB liability	(664,082)
	(2,813,679)

<b>Net Position (Deficit) of Governmental Activities</b>	<b>\$ (394,248)</b>
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The accompanying notes are an integral part of these financial statements.

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 111,579	\$ -	\$ 111,579
Licenses, permits and fees	1,001,519	-	1,001,519
Intergovernmental	525,654	32,973	558,627
Service charges and fees	36,382	-	36,382
Other	49,226	-	49,226
	<b>1,724,360</b>	<b>32,973</b>	<b>1,757,333</b>
<b>Expenditures</b>			
General and administration department	146,101	-	146,101
Police department	865,029	9,791	874,820
Fire department	120,644	-	120,644
Street department	211,729	40,771	252,500
Park and recreation department	86,934	-	86,934
Capital outlay	-	-	-
	<b>1,430,437</b>	<b>50,562</b>	<b>1,480,999</b>
<b>Net Change in Fund Balance</b>	<b>293,923</b>	<b>(17,589)</b>	<b>276,334</b>
<b>Fund Balance, Beginning</b>	<b>1,038,758</b>	<b>43,034</b>	<b>1,081,792</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,332,681</b>	<b>\$ 25,445</b>	<b>\$ 1,358,126</b>
<b>Net Changes in Fund Balances - Total Governmental Funds</b>			<b>\$ 276,334</b>
<p>Amounts reported for <i>government activities</i> in the Statement of Activities are different because:</p>			
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$145,250 exceeds depreciation of \$85,872 in the current period.</p>			
			(59,378)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities</p>			
			(193,790)
<b>Change in Net Position of Governmental Activities</b>			<b>\$ 23,166</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

JUNE 30, 2021

	Water & Sewer Utilities	Sanitation Utilities	Total Proprietary Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 459,627	\$ 89,599	\$ 549,225
Receivables, net	226,904	26,551	253,455
<b>Total Current Assets</b>	<b>686,530</b>	<b>116,150</b>	<b>802,680</b>
<b>Non-Current Assets</b>			
Restricted cash	612,755	1,478	614,232
Certificates of deposit	163,537	50,732	214,269
Capital assets:	-	-	
Non-depreciable	1,098,924	-	1,098,924
Depreciable, net	8,045,674	116,417	8,162,092
<b>Total Non-Current Assets</b>	<b>9,920,889</b>	<b>168,628</b>	<b>10,089,517</b>
<b>Total Assets</b>	<b>10,607,420</b>	<b>284,777</b>	<b>10,892,197</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	162,995	32,599	195,594
Deferred amounts related to OPEB	135,164	27,033	162,197
<b>Total Deferred Outflows of Resources</b>	<b>298,159</b>	<b>59,632</b>	<b>357,791</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	136,797	10,042	146,839
Accrued expenses	62,163	2,381	64,544
Accrued interest	7,003	73	7,076
Customer deposits payable	53,552	-	53,552
Notes and leases payable, net	2,938,799	14,433	2,953,232
Bond anticipation note, net	-	-	-
<b>Total Current Liabilities</b>	<b>3,198,314</b>	<b>26,929</b>	<b>3,225,243</b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	-	-	-
Net pension liability	850,889	170,178	1,021,067
Net OPEB liability	267,807	53,561	321,368
<b>Total Non-Current Liabilities</b>	<b>1,118,696</b>	<b>223,739</b>	<b>1,342,435</b>
<b>Total Liabilities</b>	<b>4,317,010</b>	<b>250,668</b>	<b>4,567,678</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	22,986	4,597	27,583
Deferred amounts related to OPEB	54,298	10,860	65,157
<b>Total Deferred Inflows of Resources</b>	<b>77,284</b>	<b>15,457</b>	<b>92,741</b>
<b>Net Position</b>			
Net investment in capital assets	6,205,799	101,984	6,307,783
Restricted	612,755	1,478	614,232
Unrestricted (deficit)	(307,269)	(25,164)	(332,433)
<b>Total Net Position</b>	<b>\$ 6,511,285</b>	<b>\$ 78,298</b>	<b>\$ 6,589,583</b>

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

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

	<u>Water and Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,095,248	\$ 256,424	\$ 1,351,672
Miscellaneous	64,414	-	64,414
<b>Total Operating Revenues</b>	<u>1,159,662</u>	<u>256,424</u>	<u>1,416,086</u>
<b>Operating Expenses</b>			
Salaries	298,390	47,005	345,395
Employee benefits	255,757	56,484	312,241
Contractual services	9,200	4,023	13,223
Materials and supplies	159,724	97,404	257,128
Travel and training	3,107	24	3,131
Utilities and telephone	138,494	2,819	141,313
Insurance	42,100	9,930	52,030
Depreciation	320,054	27,788	347,842
Bad debt provision	5,496	1,282	6,778
Miscellaneous	15,309	10,384	25,693
<b>Total Operating Expenses</b>	<u>1,247,631</u>	<u>257,143</u>	<u>1,504,774</u>
<b>Operating Loss</b>	<u>(87,969)</u>	<u>(719)</u>	<u>(88,688)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	2,082	321	2,403
Interest expense	(51,916)	(361)	(52,277)
Grant proceeds	435,852	-	435,852
<b>Total Non-Operating Revenue (Expenses)</b>	<u>386,018</u>	<u>(40)</u>	<u>385,978</u>
<b>Change in Net Position</b>	298,049	(759)	297,290
<b>Total Net Position, Beginning</b>	<u>6,213,236</u>	<u>79,057</u>	<u>6,292,293</u>
<b>Total Net Position, Ending</b>	<u>\$ 6,511,285</u>	<u>\$ 78,298</u>	<u>\$ 6,589,583</u>

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

	<b>Water &amp; Sewer Utilities</b>	<b>Sanitation Utilities</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,109,863	\$ 256,327	\$ 1,366,190
Cash received from other sources	64,414	-	64,414
Cash payments to suppliers for goods and services	(509,790)	(153,680)	(663,470)
Cash payments to employees	(299,217)	(47,328)	(346,545)
<b>Net Cash Provided by Operating Activities</b>	<b>365,270</b>	<b>55,319</b>	<b>420,589</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from issuance of debt	567,592	-	567,592
Proceeds from capital financing	435,852		
Principal, interest, and related fees paid on long-term debt	(856,976)	(20,964)	(877,940)
Acquisition and construction of capital assets	(781,713)		(781,713)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(635,245)</b>	<b>(20,964)</b>	<b>(1,092,061)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of certificates of deposit	(976)	(302)	(1,278)
Cash received from interest income	2,082	302	2,384
<b>Net Cash Provided by Investing Activities</b>	<b>1,106</b>	<b>-</b>	<b>1,106</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(268,869)</b>	<b>34,355</b>	<b>(670,366)</b>
<b>Cash and Cash Equivalents at July 1, 2020</b>	<b>1,341,251</b>	<b>56,722</b>	<b>1,397,973</b>
<b>Cash and Cash Equivalents at June 30, 2021</b>	<b>\$ 1,072,382</b>	<b>\$ 91,077</b>	<b>\$ 1,163,459</b>
<sup>(1)</sup> Cash and cash equivalents are reflected in the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 459,627	\$ 89,599	\$ 549,226
Restricted cash and cash equivalents	612,755	1,478	614,233
<b>Subtotal</b>	<b>\$ 1,072,382</b>	<b>\$ 91,077</b>	<b>\$ 1,163,459</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
<b>Operating Loss</b>	<b>\$ (87,969)</b>	<b>\$ (719)</b>	<b>\$ (88,688)</b>
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	320,054	27,788	347,842
Bad debt provision	5,496	1,282	6,778
Changes in assets and liabilities:			
(Increase) decrease in customer accounts receivable	14,615	(97)	14,518
(Increase) decrease in other accounts receivable	(142,885)		
(Increase) decrease in outflows of resources	(7,540)	(4,729)	(12,269)
Increase (decrease) in accounts payable	110,861	2,276	113,137
Increase (decrease) in accrued expenses	39,468	(421)	39,047
Increase (decrease) in customer deposits	2,635	-	2,635
Increase (decrease) in net pension liability	133,741	33,461	167,202
Increase (decrease) in inflows of resources	(23,206)	(3,522)	(26,728)
<b>Total adjustments</b>	<b>453,239</b>	<b>56,038</b>	<b>509,277</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 365,270</b>	<b>\$ 55,319</b>	<b>\$ 420,589</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Burkesville, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government. The City's major operations include police and fire protection, parks and recreation, and general administrative services. The City also operates a water, sewer and sanitation system for its citizens. The citizens of Burkesville elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing City, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Special Revenue Funds* consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2021, the original budget was approved in April 2020 and amended June 2021. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Certificates of Deposit**

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2021 were levied in November 2021, respectively, on the assessed property located in the City of Burkesville as of the preceding January 1. The rate for real estate was 11 cents per one hundred dollars of assessed value. The rate for auto and boats was 23 cents and other tangible property was 26 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                              |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30                  |
| 2. Face value payment period                  | December 1 to December 31    |
| 3. Past due date, 10% penalty                 | January 1                    |
| 4. Interest charge                            | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Cumberland County and are due and collected in the birth month of the licensee.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years

**Compensated Absences**

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation time in excess of 120 hours is generally required to be used within one year of accumulation. Upon termination, up to 120 hours of accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

**Accrued Liabilities and Long-Term Obligations**

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

In general, 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 funds. However, claims and judgments and compensated absences 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.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meets this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial 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 revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

**Pensions and Other Postemployment Benefits**

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT**

Deposits, both restricted and unrestricted at June 30, 2021 consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>Governmental</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating	Yes	\$ 900,153	\$ 459,626	\$ 89,583	\$ 1,449,362
LGEA	Yes	1,953	-	-	1,953
MRA	Yes	21,674	-	-	21,674
Payroll	Yes	36,569	-	-	36,569
Better Ball Initiative	Yes	2,308	-	-	2,308
Police Cruiser Grant	Yes	-	-	-	-
ABC Police Dept.	Yes	8,156	-	-	8,156
KLC	Yes	19,212	8,867	1,478	29,557
1989 Sinking Fund	Yes	-	-	-	-
1997 Depreciation Fund	Yes	-	-	-	-
2010 Depreciation Fund	Yes	-	30,012	-	30,012
2010 Sinking Fund	Yes	-	19,727	-	19,727
2011 Sinking Fund	Yes	-	130,396	-	130,396
2011 Depreciation Fund	Yes	-	38,023	-	38,023
2015 Sinking Fund	Yes	-	126,747	-	126,747
2015 Depreciation Fund	Yes	-	16,005	-	16,005
2018 Sinking Fund	Yes	-	72,300	-	72,300
2018 Depreciation Fund	Yes	-	14,559	-	14,559
Regions Sewer Project	Yes	-	232	-	232
Regions Reserve Account	Yes	-	-	-	-
2019 Sinking Fund	Yes	-	87,999	-	87,999
2019 Depreciation	Yes	-	12,055	-	12,055
Waste Water Project #2 2019	Yes	-	8,464	-	8,464
2020 Sinking Fund	Yes	-	7,894	-	7,894
KY Bond Corporation	Yes	-	39,470	-	39,470
<b>Total</b>		<b>\$ 990,025</b>	<b>\$ 1,072,376</b>	<b>\$ 91,061</b>	<b>\$ 2,153,462</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT – CONTINUED**

Certificates of deposit at June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Total</u>
Certificate of deposit	0.25%	5/21/22	\$ 453,502
Certificate of deposit	0.25%	5/21/22	50,732
Certificate of deposit	0.25%	5/21/22	163,537
<b>Total</b>			<b><u>\$ 667,771</u></b>

**Credit Risk**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2021, none of the City's deposits were subject to credit risk.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$2,821,233 and the bank balances totaled \$ 2,839,505. At June 30, 2021, \$4,133,412 of collateral was pledged to the City by the custodial bank and \$569,260 by FDIC insurance.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 3 – RECEIVABLES**

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Accounts receivables				
Taxes	\$ 1,145	\$ -	\$ -	\$ 1,145
Customers	-	185,684	42,912	228,596
Other	3,740	111,312	-	115,052
Interest	124	45	14	183
	<hr/>	<hr/>	<hr/>	<hr/>
Gross receivables	5,009	297,041	42,926	344,976
Less allowance for bad debt	-	70,137	16,361	86,498
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net total receivables</b>	<b>\$ 5,009</b>	<b>\$ 226,904</b>	<b>\$ 26,565</b>	<b>\$ 258,478</b>

**NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. There were no fund transfers for the year ended June 30, 2021.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

	<u>Beginning Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2021</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 130,319	\$ -	\$ -	\$ 130,319
Construction in process	40,045	-	40,045	-
<b>Total capital assets, not being depreciated:</b>	<b><u>170,364</u></b>	<b><u>-</u></b>	<b><u>40,045</u></b>	<b><u>130,319</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings	309,372	40,045	232,958	116,459
Machinery and equipment	930,771	92,055	303,718	719,108
Furniture and fixtures	66,380	-	66,380	-
Improvements	991,319	9,900	5,075	996,144
Other assets	-	3,250	-	3,250
Road equipment	87,184	-	-	87,184
<b>Total capital assets, being depreciated:</b>	<b><u>2,385,026</u></b>	<b><u>145,250</u></b>	<b><u>608,131</u></b>	<b><u>1,922,145</u></b>
<b>Less accumulated depreciation for</b>				
<b>Governmental Activities</b>				
Building	295,887	1,242	232,958	64,171
Machinery and equipment	775,077	50,807	303,718	522,166
Furniture and fixtures	61,172	254	61,426	-
Improvements	784,692	33,026	2,763	814,955
Other assets	-	541	-	541
Road equipment	85,183	1,333	-	86,516
<b>Total accumulated depreciation</b>	<b><u>2,002,011</u></b>	<b><u>87,203</u></b>	<b><u>600,865</u></b>	<b><u>1,488,349</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>383,015</u></b>			<b><u>433,796</u></b>
<b>Government activities capital assets, net</b>	<b><u>\$ 553,379</u></b>			<b><u>\$ 564,115</u></b>

Depreciation expense for governmental activities is charged to functions as follows:

	<u>2021</u>
General	\$ 5,291
Police	20,953
Fire	29,576
Street	24,703
Park	5,347
MRA Fund	1,333
<b>Total</b>	<b><u>\$ 87,203</u></b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

	<u>Beginning Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2021</u>
<b>Business-Type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 61,445	\$ -	\$ -	\$ 61,445
Construction in process	268,453	767,026	-	1,035,479
<b>Total capital assets, not being depreciated:</b>	<u>329,898</u>	<u>767,026</u>	<u>-</u>	<u>1,096,924</u>
<b>Capital assets, being depreciated:</b>				
Buildings and Improvements	38,254	1,300	-	39,554
Machinery and Equipment	357,363	13,387	-	370,750
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	10,708,950	-	-	10,708,950
Waste Water Treatment Facility	4,124,716	-	-	4,124,716
Sanitation Equipment	285,744	-	-	285,744
<b>Total capital assets, being depreciated:</b>	<u>15,674,135</u>	<u>14,687</u>	<u>-</u>	<u>15,688,822</u>
<b>Less accumulated depreciation for</b>				
<b>Business-Type Activities</b>				
Buildings and Improvements	36,263	968	-	37,231
Machinery and Equipment	339,011	8,410	-	347,421
Sanitary Sewer Extension	159,067	41	-	159,108
Utility Plant	3,227,105	217,056	-	3,444,161
Waste Water Treatment Facility	3,303,810	93,579	-	3,397,389
Sanitation Equipment	141,538	27,788	-	169,326
<b>Total accumulated depreciation</b>	<u>7,206,794</u>	<u>347,842</u>	<u>-</u>	<u>7,554,636</u>
<b>Total capital assets, being depreciated, net</b>	<u>8,467,341</u>			<u>8,134,186</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,797,239</u>			<u>\$ 9,231,111</u>

Depreciation expense for business-type activities is charged to functions as follows:

	<b>2021</b>
Water	\$ 256,043
Sewer	64,011
Sanitation	27,788
<b>Total</b>	<u>\$ 347,842</u>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental-type</b>					
Net Pension Liability	\$ 1,988,096	\$ 155,582	\$ -	\$ 2,143,678	\$ -
Net OPEB Liability	504,342	159,740	-	664,082	-
Leases	-	10,147	845	9,302	3,383
<b>Business-type</b>					
Leases	-	30,443	2,537	27,906	10,147
Notes Payable	2,841,255	537,149	439,605	2,938,799	203,609
Bond Anticipation Note	365,000	-	365,000	-	-
Net Pension Liability	944,848	76,219	-	1,021,067	-
Net OPEB Liability	230,385	90,983	-	321,368	-
Plus: Unamortized Note Premium	8,855	-	-	8,855	-
Plus: Unamortized Bond Premium	3,518	-	-	3,518	-
<b>Total</b>	<b><u>\$ 6,886,299</u></b>	<b><u>\$ 1,060,263</u></b>	<b><u>\$ 807,987</u></b>	<b><u>\$ 7,138,575</u></b>	<b><u>\$ 217,139</u></b>

**Revenue Bonds and Covenants**

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years was \$1,933,000. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 10 to 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 4.5% to 5.0%. The debt reserve requirement was in compliance for the fiscal year. On May 13, 2020, bonds were refinanced by a note and retired in full.

**Notes Payable**

On September 3, 2009, the City of Burkesville entered into a loan assistance agreement of \$1,153,000, with Kentucky Infrastructure Authority for a repair of the main street water line. As of June 30, 2021, the City had a balance of \$265,119 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2031. The loan calls for a \$30,000 repairs and maintenance reserve.

On May 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$1,000,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2021, the City had a balance of \$487,629 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$25,000 repairs and maintenance reserve.

On June 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$500,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2021, the City had a balance of \$345,637 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$13,000 repairs and maintenance reserve.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Notes Payable-Continued**

On January 1, 2017, the City of Burkesville entered into a loan assistance agreement of \$621,323, with Kentucky Infrastructure Authority for a water distribution extension project. As of June 30, 2021, the City had a balance of \$489,515 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2037. The loan calls for a \$30,000 repairs and maintenance reserve.

On January 26, 2017, the City of Burkesville entered into a loan agreement of \$100,000, with First and Farmer's National Bank for a garbage truck. As of June 30, 2021, the City had a balance of \$14,433 on the loan. The note bears interest at a rate of 3.5% and principal and interest payments are monthly. The note matures on January 26, 2022.

September 16, 2019, the City of Burkesville began drawing down funds on a \$251,000 planning and design loan, with Kentucky Infrastructure Authority for improvements to the wastewater sewer plant. As of June 30, 2021, the City had drawn down \$0 of the available balance. The note bears interest at a rate of 3%. Upon completion of the project, the loan will be rolled into a construction loan.

On May 13, 2020, the City of Burkesville entered into a loan assistance agreement of \$895,000, with Kentucky Bond Corporation to refinance City's loan balances to the USDA. As of June 30, 2021, the City had a balance of \$813,750 on the loan. The note bears interest at a rate of 2% through February 2031 and 2.25% through February 2032 and principal and interest payments are due in August and February of each fiscal year. The note matures on February 1, 2032.

On October 5, 2020, the City of Burkesville entered into a loan agreement of \$2,831,370, with Kentucky Bond Corporation for a construction loan. As of June 30, 2021, the City had a balance of \$537,149 on the loan. The note bears interest at a rate of 0.5%.

**Bond Anticipation Note**

The City obtained temporary financing in the amount of \$365,000 on August 9, 2018. The note bears interest at a rate of 2.5% This note serves as temporary financing for the improvements to the wastewater sewer plant. The note will be retired with the proceeds of the \$2,010,000 bond issuance upon the completion of the project. The note was retired during the year ended June 30, 2021.

The minimum obligations of the City's at June 30, 2021 for the payment of loan principal and interest are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Annual Requirements</b>
2022	\$ 203,609	\$ 31,167	\$ 234,776
2023	195,986	28,185	224,171
2024	196,930	25,642	222,572
2025	198,500	22,925	221,425
2026	996,076	74,181	1,070,257
2027-2031	606,004	16,385	622,389
2032-2036	541,694	381	542,075
<b>Total</b>	<b>\$ 2,938,799</b>	<b>\$ 198,866</b>	<b>\$ 3,137,665</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**COMPLIANCE WITH RESERVE REQUIREMENTS**

The City of Burkesville is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. One twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The KIA loans call for the creation of a repairs and maintenance reserve of \$98,000. At June 30, 2021, the depreciation fund had a balance of \$455,063.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2021, the debt service funds had a balance of \$110,654.

**NOTE 7 – RETIREMENT PLAN**

The City of Burkesville is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description*

CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions*

Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2021, participating employers contributed 19.33% (non-hazardous) and 30.06% (hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each month, when employer contributions are received, an employer pay credit is deposited to the members account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

*Benefits*-CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years of service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years of service and 65 years or age 57+ sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

For the fiscal year ended June 30, 2021 the City's covered payroll for hazardous and non-hazardous positions was \$259,988 and \$637,415, respectively.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

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

At June 30, 2021, the City reported a liability of \$3,164,745 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the net pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was .042 percent for hazardous and .025 percent for non-hazardous.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$519,730. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ 43,731	\$ 33,312
Differences between expected and actual results	130,203	-
Changes of assumptions	122,148	-
Net difference between projected and actual earnings on plan investments	86,660	54,189
City contributions subsequent to the measurement date	201,182	-
<b>Total</b>	<b>\$ 583,924</b>	<b>\$ 87,501</b>

The \$201,182 of deferred outflows of resources 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Year ending June 30,**

2021	\$ 142,572
2022	\$ 77,374
2023	\$ 41,968
2024	\$ 33,327

*Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability*

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

However, during the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2020 is determined using these updated benefit provisions.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation date	June 30, 2017
Experience study	July 1, 2014 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	26 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 11.55% Nonhazardous 3.05% to 18.55%, Hazardous
Investment rate of return	6.25%

The mortality table used for active members is 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 (setback for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<b>Discount Rate</b>		<b>City's Proportionate Share of Net Pension Liability</b>
1% Decrease	5.25%	\$	3,164,745
Current discount rate	6.25%	\$	3,906,182
1% Increase	7.25%	\$	2,554,344

Payable to the Pension Plan – At June 30, 2021, the City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

At June 30, 2021, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred inflows of resources	\$	180,659
		437,267
Deferred outflows of resources	\$	437,267
		985,450
Net OPEB liability	\$	985,450

*Plan Description*

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

*Benefits Provided*

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Contributions*

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2021 was 4.76% (non-hazardous) and 9.52% (hazardous) of covered payroll. Contributions to the Insurance Fund from the City were \$133,628 for the year ended June 30, 2021 for both non-hazardous and hazardous combined, Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

**Net OPEB Liability**

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2018 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2020, is determined using these updated benefit provisions.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation date	June 30, 2017
Experience study	July 1, 2014 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	26 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 11.55% Nonhazardous 3.05% to 18.55%, Hazardous
Investment rate of return	6.25%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (setback 1 year for females).

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Discount Rate

The projection of cash flows used to determine the discount rate of 5.68% for CERS non-hazardous, and 5.69% for CERS hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20 – Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2014 through 2014, is outlined in a report dated April 12, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighing the expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which covers a longer timeframe. The assumptions are intended to be long-term assumptions and are not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

Nonhazardous

The net OPEB liability of the City, as well as what the City's net OPEB 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%) follows:

	<u>Discount Rate</u>	<u>City's proportionate share of net OPEB liability</u>
1% Decrease	4.34%	\$ 764,562
Current discount rate	5.34%	\$ 595,126
1% Increase	6.34%	\$ 455,962

Hazardous

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.30%) or one percentage point higher (6.30%) follows:

	<u>Discount Rate</u>	<u>City's proportionate share of net OPEB liability</u>
1% Decrease	4.30%	\$ 529,854
Current discount rate	5.30%	\$ 390,324
1% Increase	6.30%	\$ 277,890

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

Nonhazardous

The following presents the City's proportionate share of the net OPEB liability City's net OPEB liability calculated using healthcare cost trend rates that are one percentage point lower (4.34%) or one percentage point higher than current healthcare cost trend rates:

	<u>City's proportionate share of net OPEB liability</u>
1% Decrease	\$ 460,776
Current discount rate	\$ 595,126
1% Increase	\$ 758,162

Hazardous

The following presents the City's proportionate share of the net OPEB liability City's net OPEB liability calculated using healthcare cost trend rates that are one percentage point lower (4.30%) or one percentage point higher (6.30%) than current healthcare cost trend rates:

	<u>City's proportionate share of net OPEB liability</u>
1% Decrease	\$ 278,937
Current discount rate	\$ 390,324
1% Increase	\$ 527,264

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

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2021**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*OPEB Expense and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2021, the City recognized OPEB expenses of \$133,628. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ 24,897	\$ 17,461
Implicit subsidy	16,440	-
Differences between expected and actual results	112,827	138,489
Changes of assumptions	167,194	989
Net difference between projected and actual earnings on plan investments	60,826	23,720
City contributions subsequent to the measurement date	55,083	-
<b>Total</b>	<b>\$ 437,267</b>	<b>\$ 180,659</b>

The \$55,083 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows.

**Year ending June 30,**

2021	\$	51,142
2022	\$	45,995
2023	\$	42,464
2024	\$	40,578
2025	\$	4,906
Thereafter	\$	-

Deferred outflows and inflows related to differences between projected and actual earnings on plan investment are netted and amortized over a closed five-year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they incurred.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer’s Responses to Auditor’s Request per the opinion of counsel.

Significant losses are covered by commercial insurance with premiums (based on industry information adjustment for any City claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2021**

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2021, the City was sufficiently insured.

**NOTE 11 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through January 20, 2022, which is the date the financial statements were available to be issued.

**CITY OF BURKESVILLE, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 111,900	\$ 115,954	\$ 111,579	\$ (4,375)
Licenses, permits and fees	1,031,600	1,035,229	1,001,519	(33,710)
Intergovernmental	15,776	15,776	525,654	509,878
Service charges and fees	230,700	246,645	36,382	(210,263)
Other	31,000	169,514	49,226	(120,288)
<b>Total Revenues</b>	<b>1,420,976</b>	<b>1,583,118</b>	<b>1,724,360</b>	<b>141,242</b>
<b>Expenditures</b>				
General and administrative	141,683	152,243	146,101	6,142
Police	879,852	842,494	865,029	(22,535)
Fire	78,555	113,945	120,644	(6,699)
Street	180,350	180,350	211,729	(31,379)
Parks and recreation	141,420	141,420	86,934	54,486
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>1,421,859</b>	<b>1,430,452</b>	<b>1,430,437</b>	<b>15</b>
<b>Net Change in Fund Balance</b>	<b>(883)</b>	<b>152,666</b>	<b>293,923</b>	<b>141,257</b>
<b>Fund Balance, Beginning</b>	<b>598,670</b>	<b>295,826</b>	<b>1,038,758</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 597,787</b>	<b>\$ 448,492</b>	<b>\$ 1,332,681</b>	<b>\$ 141,257</b>

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SEVEN FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b><u>HAZARDOUS</u></b>							
City's proportion of the net pension liability (asset)	0.038935%	0.039437%	0.043087%	0.041847%	0.044367%	0.042234%	0.042251%
City's proportionate share of the net pension liability (asset)	\$ 468,000	\$ 605,398	\$ 739,341	\$ 936,234	\$ 1,072,924	\$ 1,166,876	\$ 1,273,880
City's covered-employee payroll	\$ 201,724	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	232.00%	270.26%	321.85%	378.84%	449.60%	472.71%	489.98%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%
<b><u>NON-HAZARDOUS</u></b>							
City's proportion of the net pension liability (asset)	0.021581%	0.022232%	0.023521%	0.022980%	0.023810%	0.025111%	0.024646%
City's proportionate share of the net pension liability (asset)	\$ 700,000	\$ 955,859	\$ 1,158,084	\$ 1,345,090	\$ 1,450,102	\$ 1,766,068	\$ 1,890,865
City's covered-employee payroll	\$ 518,698	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	134.95%	170.36%	206.68%	224.99%	218.20%	273.17%	296.65%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b><u>HAZARDOUS</u></b>							
Contractually required contribution	\$ 41,817	\$ 45,383	\$ 49,872	\$ 54,864	\$ 61,618	\$ 74,295	\$ 78,155
Contributions in relation to the contractually required contribution	<u>(41,817)</u>	<u>(45,383)</u>	<u>(49,872)</u>	<u>(54,864)</u>	<u>(61,618)</u>	<u>(74,295)</u>	<u>(78,155)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
City's covered-employee payroll	\$ 201,724	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988
Contributions as a percentage of covered-employee payroll	20.73%	20.26%	21.71%	22.20%	25.82%	30.10%	30.06%
<b><u>NON-HAZARDOUS</u></b>							
Contractually required contribution	\$ 66,290	\$ 69,744	\$ 78,166	\$ 86,568	\$ 107,795	\$ 124,782	\$ 123,027
Contributions in relation to the contractually required contribution	<u>(66,290)</u>	<u>(69,744)</u>	<u>(78,166)</u>	<u>(86,568)</u>	<u>(107,795)</u>	<u>(124,782)</u>	<u>(123,027)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
City's covered-employee payroll	\$ 518,698	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 645,507	\$ 637,415
Contributions as a percentage of covered-employee payroll	12.78%	12.43%	13.95%	14.48%	16.22%	19.33%	19.30%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b><u>HAZARDOUS</u></b>				
City's proportion of the net OPEB liability	0.041847%	0.044367%	0.044223%	0.042251%
City's proportionate share of the net OPEB liability	\$ 345,967	\$ 316,319	\$ 312,472	\$ 390,324
City's covered-employee payroll	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	139.99%	132.55%	126.59%	150.13%
Plan fiduciary net position as a percentage of the total OPEB liability	58.99%	64.24%	64.44%	58.84%
<b><u>NON-HAZARDOUS</u></b>				
City's proportion of the net OPEB liability	0.023809%	0.022980%	0.025105%	0.024653%
City's proportionate share of the net OPEB liability	\$ 461,977	\$ 422,724	\$ 422,255	\$ 595,126
City's covered-employee payroll	\$ 597,843	\$ 664,503	\$ 646,507	\$ 637,415
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	77.27%	63.62%	65.31%	93.37%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%	51.67%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO THE  
OTHER POST EMPLOYMENT BENEFITS  
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b><u>HAZARDOUS</u></b>				
Contractually required contribution	\$ 23,107	\$ 22,719	\$ 23,497	\$ 24,749
Contributions in relation to the contractually required contribution	<u>(23,107)</u>	<u>(22,719)</u>	<u>(23,497)</u>	<u>(24,749)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988
Contributions as a percentage of covered-employee payroll	9.35%	9.52%	9.52%	9.52%
<b><u>NON-HAZARDOUS</u></b>				
Contractually required contribution	\$ 28,099	\$ 34,957	\$ 30,767	\$ 30,335
Contributions in relation to the contractually required contribution	<u>(28,099)</u>	<u>(34,957)</u>	<u>(30,767)</u>	<u>(30,335)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF WATER AND SEWER REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Water Utilities</b>	<b>Sewer Utilities</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 798,223	\$ 297,025	\$ 1,095,248
Miscellaneous	64,414	-	64,414
<b>Total Operating Revenues</b>	<b>862,637</b>	<b>297,025</b>	<b>1,159,662</b>
<b>Operating Expenses</b>			
Salaries	269,021	29,369	298,390
Employee benefits	228,099	27,658	255,757
Contractual services	4,600	4,600	9,200
Materials and supplies	118,866	40,858	159,724
Travel and training	3,107	-	3,107
Utilities and telephone	61,995	76,500	138,494
Insurance	27,329	14,770	42,100
Depreciation	256,043	64,011	320,054
Bad debt provision	3,990	1,506	5,496
Miscellaneous	14,994	315	15,309
<b>Total Operating Expenses</b>	<b>988,044</b>	<b>259,587</b>	<b>1,247,631</b>
<b>Operating Loss</b>	<b>(125,407)</b>	<b>37,438</b>	<b>(87,968)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	1,666	417	2,082
Interest expense	(36,341)	(15,575)	(51,916)
Grant Proceeds	-	435,852	435,852
<b>Total Non-Operating Revenue (Expenses)</b>	<b>(34,675)</b>	<b>420,694</b>	<b>386,018</b>
<b>Change in Net Position</b>			<b>298,049</b>
<b>Total Net Position, Beginning</b>			<b>6,213,236</b>
<b>Total Net Position, Ending</b>			<b>\$ 6,511,285</b>

*SK LEE CPAS, P.S.C.*

*Certified Public Accountants*

*208 Pauline Drive, Suite D*

*Berea, Kentucky 40403*

*(859) 986-3756*

*(859)986-0103*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**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 Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called "the City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2022.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as items 2021-001 and 2021-002.

**Compliance and Other Matters**

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

### **The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
January 20, 2022

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

**MATERIAL WEAKNESS**

2021-001 Financial Statement Preparation

**Condition:**

During my audit procedures, I noted some instances of this objective not being completely achieved.

**Criteria:**

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cause:**

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

**Effect:**

Management is responsible for establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regards to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

**Recommendation:**

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

**Views of Responsible Officials:**

Management agrees with the recommendation.

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

**MATERIAL WEAKNESS**

2021-002 Segregation of Duties

Condition:

While conducting my audit procedures to gain an understanding of internal controls over financial reporting, I noted a lack of segregation of duties which enabled one individual access to authorize transactions, custody of assets, recording and reporting of the City's transactions in the cash receipts, cash disbursement, and payroll process.

Criteria:

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

Cause:

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

Effect:

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

Recommendation: The lack of segregation of duties is a common deficiency in City's the size of Burkesville. The City Commissioners should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF BURKESVILLE, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**CITY OF BURKESVILLE, KENTUCKY  
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**CITY OF BURKESVILLE  
P.O. BOX 250  
BURKESVILLE, KENTUCKY  
(270) 864-5391**

**CITY OFFICIALS AND OFFICERS**

**MAYOR**

Billy Guffey

**MEMBERS OF COUNCIL**

Connie Cravens  
Billy Maxey  
Glenn Murphy  
Trevor Owsley  
Jamie Allen  
Odis Young

**OFFICERS**

Marquetta Riley  
City Clerk/Treasurer

Angie Capps  
City Attorney

Wesley Long  
Chief of Police

Greg Cary  
Fire Chief

David McIntyre  
Public Works Director

Joe Appleby  
Water/Wastewater Director

*SK LEE CPAS, P.S.C.*  
*Certified Public Accountants*

*208 Pauline Drive, Suite D*  
*Berea, Kentucky 40403*  
*(859) 986-3756*  
*(859) 986-0103*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called "the City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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 Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 opinion.

***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

### ***Required Supplementary Information***

Management has omitted the Management 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 the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension schedules, and OPEB schedules on pages 35 and 36-39 respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information such as the schedule of water and sewer revenues, expenses, and changes in net position, the combining balance sheet – non-major governmental funds – special revenue funds, and the combining statement of revenues, expenditures, and changes in fund balance – non-major governmental funds – special revenue funds on pages 40, 41, and 42 respectively, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
December 14, 2022

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,314,865	\$ 449,884	\$ 1,764,749
Receivables, net	5,738	137,937	143,675
<b>Total Current Assets</b>	<b><u>1,320,603</u></b>	<b><u>587,821</u></b>	<b><u>1,908,424</u></b>
<b>Non-Current Assets</b>			
Restricted cash	118,344	1,095,051	1,213,395
Certificates of deposit	454,636	214,805	669,441
Capital assets:			
Non-depreciable	-	61,445	61,445
Depreciable, net	758,892	11,884,828	12,643,720
<b>Total Non-Current Assets</b>	<b><u>1,331,872</u></b>	<b><u>13,256,129</u></b>	<b><u>14,588,001</u></b>
<b>Total Assets</b>	<b><u>2,652,475</u></b>	<b><u>13,843,950</u></b>	<b><u>16,496,425</u></b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	352,570	139,865	492,435
Deferred amounts related to OPEB	316,593	149,115	465,708
<b>Total Deferred Outflows of Resources</b>	<b><u>669,163</u></b>	<b><u>288,980</u></b>	<b><u>958,143</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	40,869	32,917	73,786
Accrued expenses	68,959	56,247	125,206
Accrued interest	-	2,528	2,528
Deferred grant	-	385,741	385,741
Customer deposits payable	-	55,117	55,117
Notes and leases payable, net	3,383	3,148,472	3,151,855
<b>Total Current Liabilities</b>	<b><u>113,211</u></b>	<b><u>3,681,022</u></b>	<b><u>3,794,233</u></b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	33,694	2,006,773	2,040,467
Net pension liability	1,973,319	783,845	2,757,164
Net OPEB liability	596,476	235,317	831,793
<b>Total Non-Current Liabilities</b>	<b><u>2,603,489</u></b>	<b><u>3,025,935</u></b>	<b><u>5,629,424</u></b>
<b>Total Liabilities</b>	<b><u>2,716,700</u></b>	<b><u>6,706,957</u></b>	<b><u>9,423,657</u></b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	318,896	146,779	465,675
Deferred amounts related to OPEB	259,099	122,167	381,266
<b>Total Deferred Inflows of Resources</b>	<b><u>577,995</u></b>	<b><u>268,946</u></b>	<b><u>846,941</u></b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	720,969	6,791,028	7,511,997
Restricted	118,344	1,095,051	1,213,395
Unrestricted (deficit)	(812,370)	(729,053)	(1,541,423)
<b>Total Net Position (Deficit)</b>	<b><u>\$ 26,943</u></b>	<b><u>\$ 7,157,026</u></b>	<b><u>\$ 7,183,969</u></b>

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

**CITY OF BURKESVILLE, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contribution</b>	
<b>Government Activities</b>					
General government	\$ 172,309	\$ -	\$ -	\$ -	\$ (172,309)
Police	1,069,683	295,557	-	-	(774,126)
Fire	132,041	-	-	-	(132,041)
Street	238,895	-	-	-	(238,895)
Parks and recreation	167,970	-	-	-	(167,970)
<b>Total Governmental Activities</b>	<b>1,780,898</b>	<b>295,557</b>	<b>-</b>	<b>-</b>	<b>(1,485,341)</b>
<b>Business-Type Activities</b>					
Water and sewer	1,265,616	1,108,084	-	659,648	502,116
Sanitation	248,006	254,538	-	-	6,532
<b>Total Business-Type Activities</b>	<b>1,513,622</b>	<b>1,362,622</b>	<b>-</b>	<b>659,648</b>	<b>508,648</b>
<b>Total Activities</b>	<b>\$ 3,294,520</b>	<b>\$ 1,658,179</b>	<b>\$ -</b>	<b>\$ 659,648</b>	<b>\$ (976,693)</b>

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Change in Net Position</b>			
Net (expense) revenue	\$ (1,485,341)	\$ 508,648	\$ (976,693)
<b>General Revenues</b>			
Taxes	128,538	-	128,538
Licenses, permits, and other taxes	1,083,352	-	1,083,352
Intergovernmental	64,372	-	64,372
Services and fees	50,066	-	50,066
Interest income	3,329	1,729	5,058
Miscellaneous	576,609	57,066	633,675
Total General Revenues	1,906,266	58,795	1,965,061
<b>Change in Net Position</b>	<b>420,925</b>	<b>567,443</b>	<b>988,368</b>
<b>Net Position (Deficit), Beginning</b>	<b>(393,982)</b>	<b>6,589,583</b>	<b>6,195,601</b>
<b>Net Position (Deficit), Ending</b>	<b>\$ 26,943</b>	<b>\$ 7,157,026</b>	<b>\$ 7,183,968</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,278,301	\$ 36,564	\$ 1,314,865
Certificates of deposit	454,636	-	454,636
Accounts receivable	5,738	-	5,738
Restricted cash	19,212	99,132	118,344
<b>Total Assets</b>	<b><u>\$ 1,757,887</u></b>	<b><u>\$ 135,696</u></b>	<b><u>\$ 1,893,583</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 40,869	\$ -	\$ 40,869
Accrued expenses	68,959	-	68,959
<b>Total Liabilities</b>	<b><u>109,828</u></b>	<b><u>-</u></b>	<b><u>109,828</u></b>
<b>Fund Balances</b>			
Restricted	19,212	99,132	118,344
Unassigned	1,628,847	36,564	1,665,411
<b>Total Fund Balances</b>	<b><u>1,648,059</u></b>	<b><u>135,696</u></b>	<b><u>1,783,755</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,757,887</u></b>	<b><u>\$ 135,696</u></b>	<b><u>\$ 1,893,583</u></b>

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

Fund balances reported above \$ 1,783,755

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 758,892

Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds. 91,168

All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.

Lease Liability	(37,077)
Net pension liability	(1,973,319)
Net OPEB liability	(596,476)
	<hr/>

**Net Position (Deficit) of Governmental Activities **\$ 26,943****

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 128,538	\$ -	\$ 128,538
Licenses, permits and fees	1,021,688	61,664	1,083,352
Intergovernmental	326,081	33,848	359,929
Service charges and fees	50,066	-	50,066
Other	579,735	203	579,938
<b>Total Revenues</b>	<b>2,106,108</b>	<b>95,715</b>	<b>2,201,823</b>
<b>Expenditures</b>			
General and administration department	154,479	1,654	156,133
Police department	893,266	23,607	916,873
Fire department	94,767	-	94,767
Street department	19,679	-	19,679
Park and recreation department	123,341	-	123,341
Capital outlay	120,952	4,920	125,872
<b>Total Expenditures</b>	<b>1,406,484</b>	<b>30,181</b>	<b>1,436,665</b>
<b>Net Change in Fund Balance</b>	<b>699,624</b>	<b>65,534</b>	<b>765,158</b>
<b>Fund Balance, Beginning</b>	<b>948,435</b>	<b>70,162</b>	<b>1,018,597</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,648,059</b>	<b>\$ 135,696</b>	<b>\$ 1,783,755</b>
<b>Net Changes in Fund Balances - Total Governmental Funds</b>			<b>\$ 765,158</b>
<p>Amounts reported for <i>government activities</i> in the Statement of Activities are different because:</p>			
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.</p>			
			(185,476)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities</p>			
			(158,757)
<b>Change in Net Position of Governmental Activities</b>			<b>\$ 420,925</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	<b>Water &amp; Sewer Utilities</b>	<b>Sanitation Utilities</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 352,817	\$ 97,066	\$ 449,884
Receivables, net	112,298	25,639	137,937
<b>Total Current Assets</b>	<b>465,115</b>	<b>122,705</b>	<b>587,821</b>
<b>Non-Current Assets</b>			
Restricted cash	1,093,573	1,478	1,095,051
Certificates of deposit	163,945	50,859	214,805
Capital assets:			
Non-depreciable	61,445		61,445
Depreciable, net	11,796,198	88,630	11,884,828
<b>Total Non-Current Assets</b>	<b>13,115,161</b>	<b>140,967</b>	<b>13,256,128</b>
<b>Total Assets</b>	<b>13,580,277</b>	<b>263,672</b>	<b>13,843,949</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	117,030	22,835	139,865
Deferred amounts related to OPEB	124,770	24,345	149,115
<b>Total Deferred Outflows of Resources</b>	<b>241,800</b>	<b>47,180</b>	<b>288,980</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	20,893	12,024	32,917
Accrued expenses	52,840	3,407	56,247
Accrued interest	2,528	-	2,528
Deferred grant	385,741		385,741
Customer deposits payable	55,117	-	55,117
Notes and leases payable, net	3,148,472	-	3,148,472
<b>Total Current Liabilities</b>	<b>3,665,591</b>	<b>15,431</b>	<b>3,681,022</b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	2,006,773	-	2,006,773
Net pension liability	655,870	127,975	783,845
Net OPEB liability	196,898	38,419	235,317
<b>Total Non-Current Liabilities</b>	<b>2,859,542</b>	<b>166,394</b>	<b>3,025,936</b>
<b>Total Liabilities</b>	<b>6,525,133</b>	<b>181,825</b>	<b>6,706,958</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	122,815	23,964	146,779
Deferred amounts related to OPEB	102,221	19,946	122,167
<b>Total Deferred Inflows of Resources</b>	<b>225,036</b>	<b>43,910</b>	<b>268,946</b>
<b>Net Position</b>			
Net investment in capital assets	6,702,398	88,630	6,791,028
Restricted	1,093,573	1,478	1,095,051
Unrestricted (deficit)	(724,063)	(4,990)	(729,053)
<b>Total Net Position</b>	<b>\$ 7,071,908</b>	<b>\$ 85,118</b>	<b>\$ 7,157,026</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Water and Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,108,084	\$ 254,538	\$ 1,362,622
Miscellaneous	57,066	-	57,066
<b>Total Operating Revenues</b>	<u>1,165,149</u>	<u>254,538</u>	<u>1,419,687</u>
<b>Operating Expenses</b>			
Salaries	308,586	61,209	369,794
Employee benefits	110,243	22,004	132,246
Contractual services	9,210	4,030	13,240
Materials and supplies	191,118	109,832	300,950
Travel and training	2,626	95	2,721
Utilities and telephone	132,005	3,984	135,989
Insurance	39,295	11,976	51,270
Depreciation	329,926	27,788	357,714
Bad debt provision	5,541	1,273	6,814
Miscellaneous	55,818	5,693	61,511
<b>Total Operating Expenses</b>	<u>1,184,367</u>	<u>247,883</u>	<u>1,432,250</u>
<b>Operating Loss</b>	<u>(19,218)</u>	<u>6,655</u>	<u>(12,562)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	1,442	287	1,729
Interest expense	(81,248)	(123)	(81,371)
Grant proceeds	659,648	-	659,648
<b>Total Non-Operating Revenue (Expenses)</b>	<u>579,841</u>	<u>164</u>	<u>580,006</u>
<b>Change in Net Position</b>	560,623	6,820	567,443
<b>Total Net Position, Beginning</b>	<u>6,511,285</u>	<u>78,298</u>	<u>6,589,583</u>
<b>Total Net Position, Ending</b>	<u>\$ 7,071,908</u>	<u>\$ 85,118</u>	<u>\$ 7,157,026</u>

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Water &amp; Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Proprietary Funds</u>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,098,459	\$ 249,829	\$ 1,348,288
Cash received from other sources	57,066	-	57,066
Cash payments to suppliers for goods and services	(232,971)	(167,837)	(400,808)
Cash payments to employees	(311,930)	(60,256)	(372,186)
<b>Net Cash Provided by Operating Activities</b>	<b>610,624</b>	<b>21,736</b>	<b>632,360</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from issuance of debt	2,371,980	-	2,371,980
Proceeds from capital financing	659,648	-	659,648
Principal, interest, and related fees paid on long-term debt	(226,716)	(14,556)	(241,272)
Acquisition and construction of capital assets	(3,042,970)	-	(3,042,970)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(238,058)</b>	<b>(14,556)</b>	<b>(252,614)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of certificates of deposit	408	127	535
Cash received from interest income	1,034	160	1,194
<b>Net Cash Provided by Investing Activities</b>	<b>1,442</b>	<b>287</b>	<b>1,729</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>374,008</b>	<b>7,467</b>	<b>381,475</b>
<b>Cash and Cash Equivalents at July 1, 2021</b>	<b>1,072,382</b>	<b>91,077</b>	<b>1,163,459</b>
<b>Cash and Cash Equivalents at June 30, 2022</b>	<b>\$ 1,446,390</b>	<b>\$ 98,544</b>	<b>1,544,934</b>
<sup>(1)</sup> Cash and cash equivalents are reflected in the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 352,817	\$ 97,066	\$ 449,883
Restricted cash and cash equivalents	1,093,573	1,478	1,095,051
<b>Subtotal</b>	<b>\$ 1,446,390</b>	<b>\$ 98,544</b>	<b>\$ 1,544,934</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
<b>Operating income (loss)</b>	<b>\$ (19,218)</b>	<b>\$ 6,655</b>	<b>\$ (12,563)</b>
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	329,926	27,788	357,714
Bad debt provision	5,541	1,273	6,814
Changes in assets and liabilities:			
(Increase) decrease in customer accounts receivable	(12,724)	(475)	(13,199)
(Increase) decrease in other accounts receivable	111,312		
(Increase) decrease in outflows of resources	56,359	12,452	68,811
Increase (decrease) in accounts payable	(115,904)	1,982	(113,922)
Increase (decrease) in accrued expenses	(13,798)	953	(12,845)
Increase (decrease) in deferred grant	385,741	-	385,741
Increase (decrease) in customer deposits	1,565	-	1,565
Increase (decrease) in net pension liability	(265,928)	(57,345)	(323,273)
Increase (decrease) in inflows of resources	147,752	28,453	176,205
<b>Total adjustments</b>	<b>629,842</b>	<b>15,081</b>	<b>644,923</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 610,624</b>	<b>\$ 21,736</b>	<b>\$ 632,360</b>

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Burkesville, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government. The City's major operations include police and fire protection, parks and recreation, and general administrative services. The City also operates a water, sewer and sanitation system for its citizens. The citizens of Burkesville elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing City, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Special Revenue Funds* consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2022, the original budget was approved in June 2021 and amended June 2022. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Certificates of Deposit**

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2022 were levied in November 2021, respectively, on the assessed property located in the City of Burkesville as of the preceding January 1. The rate for real estate was 11 cents per one hundred dollars of assessed value. The rate for auto and boats was 23 cents and other tangible property was 26 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                              |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30                  |
| 2. Face value payment period                  | December 1 to December 31    |
| 3. Past due date, 10% penalty                 | January 1                    |
| 4. Interest charge                            | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Cumberland County and are due and collected in the birth month of the licensee.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years

**Compensated Absences**

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation time in excess of 120 hours is generally required to be used within one year of accumulation. Upon termination, up to 120 hours of accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

**Accrued Liabilities and Long-Term Obligations**

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

In general, 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 funds. However, claims and judgments and compensated absences 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.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meet this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial 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 revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

**Pensions and Other Postemployment Benefits**

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT**

Deposits, both restricted and unrestricted at June 30, 2022 consisted of the following:

<b>Account</b>	<b>Interest Bearing</b>	<b>Governmental</b>	<b>Water &amp; Sewer</b>	<b>Sanitation</b>	<b>Total</b>
Operating	Yes	\$ 1,278,058	\$ 353,581	\$ 97,066	\$ 1,728,706
LGEA	Yes	3,922	-	-	3,922
MRA	Yes	53,869	-	-	53,869
Payroll	Yes	36,565	-	-	36,565
Better Ball Initiative	Yes	-	-	-	-
Police Cruiser Grant	Yes	-	-	-	-
ABC Police Dept.	Yes	41,341	-	-	41,341
KLC	Yes	19,212	8,867	1,478	29,557
1989 Sinking Fund	Yes	-	-	-	-
1997 Depreciation Fund	Yes	-	-	-	-
2010 Depreciation Fund	Yes	-	30,027	-	30,027
2010 Sinking Fund	Yes	-	20,384	-	20,384
2011 Sinking Fund	Yes	-	130,334	-	130,334
2011 Depreciation Fund	Yes	-	38,061	-	38,061
2015 Sinking Fund	Yes	-	137,939	-	137,939
2015 Depreciation Fund	Yes	-	16,013	-	16,013
2018 Sinking Fund	Yes	-	99,523	-	99,523
2018 Depreciation Fund	Yes	-	16,967	-	16,967
Regions Sewer Project	Yes	-	232	-	232
Regions Reserve Account	Yes	-	-	-	-
2019 Sinking Fund	Yes	-	134,336	-	134,336
2019 Depreciation	Yes	-	19,263	-	19,263
Waste Water Project #2 2019	Yes	-	8,476	-	8,476
2020 Sinking Fund	Yes	-	8,171	-	8,171
American Relief Plan Act	Yes	-	385,741	-	385,741
KY Bond Corporation	Yes	-	39,470	-	39,470
<b>Total</b>		<b>\$ 1,432,967</b>	<b>\$ 1,447,386</b>	<b>\$ 98,544</b>	<b>\$ 2,978,897</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT – CONTINUED**

Certificates of deposit at June 30, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Total</u>
Certificate of deposit	0.55%	5/21/23	\$ 454,636
Certificate of deposit	0.55%	5/21/23	50,859
Certificate of deposit	0.55%	5/21/23	<u>163,945</u>
<b>Total</b>			<b><u>\$ 669,440</u></b>

**Credit Risk**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2022, none of the City's deposits were subject to credit risk.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$2,978,897 and the bank balances totaled \$ 3,006,354. At June 30, 2022, \$4,133,412 of collateral was pledged to the City by the custodial bank and \$569,260 by FDIC insurance.

**NOTE 3 – RECEIVABLES**

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Accounts receivables				
Taxes	\$ -	\$ -	\$ -	\$ -
Customers	-	135,954	32,521	168,474
Other	1,803	111,312	-	113,115
Interest	<u>274</u>	<u>99</u>	<u>31</u>	<u>404</u>
Gross receivables	2,077	247,365	32,551	281,993
Less allowance for bad debt	<u>-</u>	<u>75,678</u>	<u>17,634</u>	<u>93,311</u>
<b>Net total receivables</b>	<b><u>\$ 2,077</u></b>	<b><u>\$ 171,687</u></b>	<b><u>\$ 14,918</u></b>	<b><u>\$ 188,682</u></b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. There were no fund transfers for the year ended June 30, 2022.

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

Capital assets for the business-type activities during the year ended June 30, 2022 are as follows:

	<u>Beginning Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2022</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 130,319	\$ -	\$ -	\$ 130,319
Construction in process	-	71,106	-	71,106
<b>Total capital assets, not being depreciated:</b>	<b><u>130,319</u></b>	<b><u>71,106</u></b>	<b><u>-</u></b>	<b><u>201,425</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings	116,459	94,327	-	210,786
Machinery and equipment	719,108	1,408	-	720,516
Furniture and fixtures	-	5,869	-	5,869
Infrastructure	996,144	80,457	-	1,076,601
Other Assets	3,250	-	-	3,250
Road equipment	87,184	-	-	87,184
Right of Use Assets	10,148	39,358	-	49,506
<b>Total capital assets, being depreciated:</b>	<b><u>1,932,293</u></b>	<b><u>221,419</u></b>	<b><u>-</u></b>	<b><u>2,153,712</u></b>
<b>Less accumulated depreciation for</b>				
<b>Governmental Activities</b>				
Building	64,171	1,242	-	65,413
Machinery and equipment	522,166	55,555	-	577,721
Furniture and fixtures	-	560	-	560
Infrastructure	814,955	36,357	-	851,312
Other Assets	541	1,084	-	1,625
Road equipment	86,516	668	-	87,184
Right of Use Assets	846	11,583	-	12,429
<b>Total accumulated depreciation</b>	<b><u>1,489,195</u></b>	<b><u>107,049</u></b>	<b><u>-</u></b>	<b><u>1,596,244</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>443,098</u></b>			<b><u>557,468</u></b>
<b>Government activities capital assets, net</b>	<b><u>\$ 573,417</u></b>			<b><u>\$ 758,893</u></b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

Depreciation expense for governmental activities is charged to functions as follows:

	<u>2022</u>
General	\$ 6,297
Police	22,411
Fire	33,160
Street	28,194
Park	8,119
MRA Fund	668
ABC Police	8200
<b>Total</b>	<b><u>\$ 107,049</u></b>

Capital assets for the business-type activities during the year ended June 30, 2022 are as follows:

	<u>Beginning Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2022</u>
<b>Business-Type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 61,445	\$ -	\$ -	\$ 61,445
Construction in process	1,037,478	3,031,628	-	4,069,106
<b>Total capital assets, not being depreciated:</b>	<b><u>1,096,924</u></b>	<b><u>3,031,628</u></b>	<b><u>-</u></b>	<b><u>4,130,551</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings and Improvements	39,554	-	-	39,554
Machinery and Equipment	370,750	11,342	-	382,092
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	10,708,950	-	-	10,708,950
Waste Water Treatment Facility	4,124,716	-	-	4,124,716
Sanitation Equipment	285,744	-	-	285,744
Right of Use Assets	30,443	-	-	30,443
<b>Total capital assets, being depreciated:</b>	<b><u>15,719,265</u></b>	<b><u>11,342</u></b>	<b><u>-</u></b>	<b><u>15,730,607</u></b>
<b>Less accumulated depreciation for</b>				
<b>Business-Type Activities</b>				
Buildings and Improvements	37,231	958	-	38,189
Machinery and Equipment	347,421	9,215	-	356,636
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	3,444,161	216,933	-	3,661,094
Waste Water Treatment Facility	3,397,389	92,672	-	3,490,061
Sanitation Equipment	169,326	27,788	-	197,114
Right of Use Assets	2,537	10,148	-	12,685
<b>Total accumulated depreciation</b>	<b><u>7,557,173</u></b>	<b><u>357,714</u></b>	<b><u>-</u></b>	<b><u>7,914,887</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>8,162,092</u></b>			<b><u>7,815,720</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 9,259,016</u></b>			<b><u>\$11,946,271</u></b>

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2022**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

Depreciation expense for business-type activities is charged to functions as follows:

	<b>2022</b>
Water	\$ 263,941
Sewer	65,985
Sanitation	27,788
<b>Total</b>	<b>\$ 357,714</b>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2022:

	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2022</b>	<b>Due Within One Year</b>
<b>Governmental-type</b>					
Net Pension Liability	\$ 2,143,678	\$ -	\$ 170,359	\$ 1,973,319	\$ -
Net OPEB Liability	664,082	-	64,636	599,446	-
Leases	9,302	79,951	-	89,253	33,209
<b>Business-type</b>					
Leases	27,906	-	10,148	17,758	10,148
Notes Payable	2,938,799	2,371,980	192,053	5,118,726	3,105,115
Net Pension Liability	1,021,067	-	237,222	783,845	-
Net OPEB Liability	321,368	-	86,050	235,318	-
Plus: Unamortized Note Premium	8,855	-	-	8,855	-
Plus: Unamortized Bond Premium	3,518	-	-	3,518	-
<b>Total</b>	<b>\$ 7,138,575</b>	<b>\$ 2,451,931</b>	<b>\$ 760,468</b>	<b>\$ 8,830,038</b>	<b>\$ 3,148,472</b>

**Revenue Bonds and Covenants**

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years was \$1,933,000. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 10 to 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 4.5% to 5.0%. The debt reserve requirement was in compliance for the fiscal year.

**Notes Payable**

On September 3, 2009, the City of Burkesville entered into a loan assistance agreement of \$1,153,000, with Kentucky Infrastructure Authority for a repair of the main street water line. As of June 30, 2022, the City had a balance of \$238,380 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2031. The loan calls for a \$30,000 repairs and maintenance reserve.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Notes Payable-Continued**

On May 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$1,000,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2022, the City had a balance of \$453,717 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$25,000 repairs and maintenance reserve.

On June 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$500,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2022, the City had a balance of \$321,215 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$13,000 repairs and maintenance reserve.

On January 1, 2017, the City of Burkesville entered into a loan assistance agreement of \$621,323, with Kentucky Infrastructure Authority for a water distribution extension project. As of June 30, 2022, the City had a balance of \$459,618 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2037. The loan calls for a \$30,000 repairs and maintenance reserve.

On January 26, 2017, the City of Burkesville entered into a loan agreement of \$100,000, with First and Farmer's National Bank for a garbage truck. As of June 30, 2021, the City had a balance of \$0 on the loan. The note bears interest at a rate of 3.5% and principal and interest payments are monthly. The note matures on January 26, 2022.

On May 13, 2020, the City of Burkesville entered into a loan assistance agreement of \$895,000, with Kentucky Bond Corporation to refinance City's loan balances to the USDA. As of June 30, 2022, the City had a balance of \$736,667 on the loan. The note bears interest at a rate of 2% through February 2031 and 2.25% through February 2032 and principal and interest payments are due in August and February of each fiscal year. The note matures on February 1, 2032.

On October 5, 2020, the City of Burkesville entered into a loan agreement of \$2,831,370, with Kentucky Bond Corporation for a construction loan. As of June 30, 2022, the City had a balance of \$2,909,129 on the loan. The note bears interest at a rate of 0.5%.

**Capital Leases**

The City entered into a lease agreement with Don Franklin in the amount of \$40,591 for the purchase of purchasing a vehicle in April 2021 payable in 36 monthly installments of \$1,128. Total future minimum payments under this agreement are \$23,679 at June 30, 2022.

The City entered into a lease agreement with Don Franklin in the amount of \$39,360 for the purchase of purchasing a vehicle in April 2021 payable in 36 monthly installments of \$1,640. Total future minimum payments under this agreement are \$31,157 at June 30, 2022.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2022**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Capital Leases - Continued**

The annual debt service requirements to maturity for this lease agreement is as follows:

<u>Fiscal Year Ending</u>	<u>Capital Lease Principal</u>
2023	\$ 33,209
2024	21,627
Total	<u>\$ 54,836</u>

The minimum obligations of the City's at June 30, 2022 for the payment of loan principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2023	3,105,115	28,185	3,133,300
2024	196,930	25,642	222,572
2025	198,046	22,925	220,971
2026	204,089	20,283	224,372
2027	205,142	17,529	222,671
2028-2032	898,479	48,238	946,717
2033-2037	310,925	70,982	381,907
<b>Total</b>	<b><u>\$ 5,118,726</u></b>	<b><u>\$ 233,784</u></b>	<b><u>\$ 5,352,510</u></b>

**Compliance with Reserve Requirements**

The City of Burkesville is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. One twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The KIA loans call for the creation of a repairs and maintenance reserve of \$98,000. At June 30, 2022, the depreciation fund had a balance of \$530,687.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2022, the debt service funds had a balance of \$120,331.

**NOTE 7 – RETIREMENT PLAN**

The City of Burkesville is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2022**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Plan Description* – CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions* – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 21.17% (non-hazardous) and 33.86% (hazardous) of each employee’s wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members’ salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member’s account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the fiscal year ended June 30, 2022, the contributions were \$244,022.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years of service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years of service and 65 years or age 57+ sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal 87 Not available

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Benefits – Continued*

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

For the fiscal year ended June 30, 2022 the City's covered payroll for hazardous and non-hazardous positions was \$275,827 and \$711,510, respectively.

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

At June 30, 2022, the City reported a liability of \$2,757,164 for its proportionate share of the 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 date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the net pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was .043 percent for hazardous and .025 percent for non-hazardous.

For the year ended June 30, 2022, the City recognized pension expense of approximately \$306,763. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual results	\$ 50,288	\$ 15,526
Changes of assumptions	35,927	-
Net difference between projected and actual earnings on plan investments	99,018	436,487
Changes in Proportion & Differences between Employer Contributions and Proportionate Share of Contributions	63,181	13,662
City contributions subsequent to the measurement date	244,022	-
<b>Total</b>	<b>\$ 492,436</b>	<b>\$ 465,675</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

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

The \$244,022 of deferred outflows of resources 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 will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2022	(10,343)
2023	(46,549)
2024	(59,264)
2025	(101,104)
2026	-
Thereafter	-

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report of the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov)

*Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability*

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2020. However, during the 2021 legislative session, Senate Bill 169 was enacted, which updated the disability benefits for qualifying members who become "totally and permanently disabled" in the line of duty, or as a result of a duty-related disability. The Total Pension Liability as of June 30, 2021 is determined using these updated disability benefits.

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability-Continued*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
<b>Expected Real Return</b>		<b>5.00%</b>
<b>Long Term Nominal Return for Portfolio</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.30%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 10.30% Nonhazardous 3.55% to 18.55%, Hazardous
Investment rate of return	6.25%

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<b>Discount Rate</b>		<b>City's Proportionate Share of Net Pension Liability</b>
1% Decrease	5.25%	\$	3,527,040
Current discount rate	6.25%	\$	2,757,164
1% Increase	7.25%	\$	2,124,078

*Payable to the Pension Plan* – At June 30, 2022, the City reported no outstanding liability amount to the pension plan.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

At June 30, 2022, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred inflows of resources	\$	381,266
		377,398
Deferred outflows of resources	\$	377,398
		831,794
Net OPEB liability	\$	831,794

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

*Benefits Provided* – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

*Contributions* – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2022 was 5.78% (non-hazardous) and 10.47% (hazardous) of covered payroll. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2022**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Contributions – Continued*

For the year ended June 30, 2022, contributions to the Insurance Fund from the City were \$70,004 for both non-hazardous and hazardous combined.

For retirement purposes, employees are grouped into three tiers based upon hire dates.

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentages of single coverage health insurance Based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, Increased annually
Tier 2	Participation date Insurance eligibility Benefit	September 1, 2008 – December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, Increased annually

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

At June 30, 2022, the City reported a liability of \$831,794 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2022. This method to be reflective of the employers' long-term contribution effort. At June 30, 2022, the City's proportion was .043 percent for hazardous and .025 percent for non-hazardous.

*OPEB Expense and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2022, the City recognized OPEB expenses of \$106,366. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual results	\$ 86,503	\$ 181,205
Changes of assumptions	215,483	578
Net difference between projected and actual earnings on plan investments	46,372	187,670
Changes in Proportion & Differences between Employer Contributions and Proportionate Share of Contributions	29,040	11,813
City contributions subsequent to the measurement date	70,004	-
<b>Total</b>	<b><u>\$ 447,402</u></b>	<b><u>\$ 381,266</u></b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*OPEB Expense and Deferred Inflows of Resources Related to OPEB - Continued*

The \$70,004 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows.

<b>Year ending June 30,</b>	
2022	9,524
2023	6,017
2024	4,072
2025	(32,166)
2026	8,686
Thereafter	-

Deferred outflows and inflows related to differences between projected and actual earnings on plan investment are netted and amortized over a closed five-year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they incurred.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

Nonhazardous

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) follows:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability</u>
1% Decrease	4.20%	\$ 659,366
Current discount rate	5.20%	\$ 480,240
1% Increase	6.20%	\$ 333,237

Hazardous

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.05%) or one percentage point higher (6.05%) follows:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability</u>
1% Decrease	4.05%	\$ 509,686
Current discount rate	5.05%	\$ 351,554
1% Increase	6.05%	\$ 224,503

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2022**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

**Nonhazardous**

The following presents the City's proportionate share of the net OPEB liability City's net OPEB liability calculated using healthcare cost trend rates that are one percentage point lower (4.20%) or one percentage point higher (6.20%) than current healthcare cost trend rates:

<b>City's Net OPEB Liability (Asset)</b>		
<b>Healthcare Cost</b>		
Trend Rate -1% 4.20%	Trend Rate 5.20%	Trend Rate +1% 6.20%
<b>\$ 345,716</b>	<b>\$ 480,240</b>	<b>\$ 642,613</b>

**Hazardous**

The following presents the City's proportionate share of the net OPEB liability City's net OPEB liability calculated using healthcare cost trend rates that are one percentage point lower (4.05%) or one percentage point higher (6.05%) than current healthcare cost trend rates:

<b>City's Net OPEB Liability (Asset)</b>		
<b>Healthcare Cost</b>		
Trend Rate -1% 4.05%	Trend Rate 5.05%	Trend Rate +1% 6.05%
<b>\$ 230,357</b>	<b>\$ 351,554</b>	<b>\$ 499,990</b>

*Actuarial Methods and Assumptions for determining the Total OPEB Liability and Net OPEB Liability*

For financial reporting the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020. However, during the 2021 legislative session, Senate Bill 169 was enacted, which updated the disability benefits for qualifying members who become "totally and permanently disabled" in the line of duty, or as a result of a duty-related disability. The Total OPEB Liability as of June 30, 2021 is determined using these updated disability benefits.

The mortality table used for active members is 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Actuarial Methods and Assumptions for determining the Total OPEB Liability and Net OPEB Liability – Continued*

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class (see chart below). The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
<b>Expected Real Return</b>		<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.30%</b>

*Discount Rate*

The projection of cash flows used to determine the discount rate of 5.20% for CERS non-hazardous, and 5.05% for CERS hazardous for assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 28, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2022**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Discount Rate - Continued*

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 10.30% Nonhazardous 3.55% to 19.05%, Hazardous
Investment rate of return	6.25%
Pre-65	Initial trend starting at 6.25% at January 1, 2021, and
Post-65	Initial trend starting at 5.50% at January 1, 2021, and

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer’s Responses to Auditor’s Request per the opinion of counsel.

Significant losses are covered by commercial insurance with premiums (based on industry information adjustment for any City claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2022, the City was sufficiently insured.

**NOTE 11 – DATE OF MANAGEMENT’S REVIEW**

Subsequent events were evaluated through December 14, 2022, which is the date the financial statements were available to be issued.

**CITY OF BURKESVILLE, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 107,000	\$ 107,000	\$ 128,538	\$ 21,538
Licenses, permits and fees	1,069,300	1,069,300	1,021,688	(47,612)
Intergovernmental	6,600	6,600	326,081	319,481
Service charges and fees	270,400	380,008	50,066	(329,942)
Other	249,400	74,400	579,735	505,335
<b>Total Revenues</b>	<b><u>1,702,700</u></b>	<b><u>1,637,308</u></b>	<b><u>2,106,108</u></b>	<b><u>468,800</u></b>
<b>Expenditures</b>				
General and administrative	174,582	223,935	154,479	69,456
Police	819,040	907,913	893,266	14,647
Fire	82,620	96,720	94,767	1,953
Street	188,806	188,806	19,679	169,127
Parks and recreation	262,652	332,652	123,341	209,311
Capital outlay	-	-	120,952	(120,952)
<b>Total Expenditures</b>	<b><u>1,527,700</u></b>	<b><u>1,750,026</u></b>	<b><u>1,406,484</u></b>	<b><u>343,542</u></b>
<b>Net Change in Fund Balance</b>	<b>175,000</b>	<b>(112,718)</b>	<b>699,624</b>	<b>812,342</b>
<b>Fund Balance, Beginning</b>	<b><u>948,435</u></b>	<b><u>70,162</u></b>	<b><u>1,018,597</u></b>	<b><u>-</u></b>
<b>Fund Balance, Ending</b>	<b><u><u>\$ 1,123,435</u></u></b>	<b><u><u>\$ (42,556)</u></u></b>	<b><u><u>\$ 1,718,221</u></u></b>	<b><u><u>\$ 812,342</u></u></b>

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SEVEN FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b><u>HAZARDOUS</u></b>							
City's proportion of the net pension liability (asset)	0.039437%	0.043087%	0.041847%	0.044367%	0.042234%	0.042251%	0.043479%
City's proportionate share of the net pension liability (asset)	\$ 605,398	\$ 739,341	\$ 936,234	\$ 1,072,924	\$ 1,166,876	\$ 1,273,880	\$ 1,157,480
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.26%	321.85%	378.84%	449.60%	472.71%	489.98%	419.64%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%
<b><u>NON-HAZARDOUS</u></b>							
City's proportion of the net pension liability (asset)	0.022232%	0.023521%	0.022980%	0.023810%	0.025111%	0.024653%	0.025090%
City's proportionate share of the net pension liability (asset)	\$ 955,859	\$ 1,158,084	\$ 1,345,090	\$ 1,450,102	\$ 1,766,068	\$ 1,890,865	\$ 1,599,684
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.36%	206.68%	224.99%	218.20%	273.17%	296.65%	224.83%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b><u>HAZARDOUS</u></b>							
Contractually required contribution	\$ 45,383	\$ 49,872	\$ 54,864	\$ 61,618	\$ 74,295	\$ 78,155	\$ 93,395
Contributions in relation to the contractually required contribution	<u>(45,383)</u>	<u>(49,872)</u>	<u>(54,864)</u>	<u>(61,618)</u>	<u>(74,295)</u>	<u>(78,155)</u>	<u>(93,395)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827
Contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.20%	25.82%	30.10%	30.06%	33.86%
<b><u>NON-HAZARDOUS</u></b>							
Contractually required contribution	\$ 69,744	\$ 78,166	\$ 86,568	\$ 107,795	\$ 124,782	\$ 123,027	\$ 150,627
Contributions in relation to the contractually required contribution	<u>(69,744)</u>	<u>(78,166)</u>	<u>(86,568)</u>	<u>(107,795)</u>	<u>(124,782)</u>	<u>(123,027)</u>	<u>(150,627)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 645,507	\$ 637,415	\$ 711,510
Contributions as a percentage of covered-employee payroll	12.43%	13.95%	14.48%	16.22%	19.33%	19.30%	21.17%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST FOUR FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b><u>HAZARDOUS</u></b>				
City's proportion of the net OPEB liability	0.044367%	0.044223%	0.042238%	0.043479%
City's proportionate share of the net OPEB liability	\$ 316,319	\$ 312,472	\$ 390,324	\$ 351,554
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	132.55%	126.59%	150.13%	127.45%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	64.44%	58.84%	66.81%
<b><u>NON-HAZARDOUS</u></b>				
City's proportion of the net OPEB liability	0.022980%	0.025105%	0.024646%	0.025085%
City's proportionate share of the net OPEB liability	\$ 422,724	\$ 422,255	\$ 595,126	\$ 480,240
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	63.62%	65.31%	93.37%	67.50%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO THE  
OTHER POST EMPLOYMENT BENEFITS  
LAST FOUR FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b><u>HAZARDOUS</u></b>				
Contractually required contribution	\$ 22,719	\$ 23,497	\$ 24,749	\$ 28,879
Contributions in relation to the contractually required contribution	<u>(22,719)</u>	<u>(23,497)</u>	<u>(24,749)</u>	<u>(28,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827
Contributions as a percentage of covered-employee payroll	9.52%	9.52%	9.52%	10.47%
<b><u>NON-HAZARDOUS</u></b>				
Contractually required contribution	\$ 34,957	\$ 30,767	\$ 30,335	\$ 41,125
Contributions in relation to the contractually required contribution	<u>(34,957)</u>	<u>(30,767)</u>	<u>(30,335)</u>	<u>(41,125)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510
Contributions as a percentage of covered-employee payroll	5.26%	4.76%	4.76%	5.78%

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF WATER AND SEWER REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Water Utilities</u>	<u>Sewer Utilities</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 818,136	\$ 289,947	\$ 1,108,084
Miscellaneous	57,066	-	57,066
<b>Total Operating Revenues</b>	<u>875,202</u>	<u>289,947</u>	<u>1,165,149</u>
<b>Operating Expenses</b>			
Salaries	275,130	33,456	308,586
Employee benefits	96,064	14,178	110,243
Contractual services	4,600	4,610	9,210
Materials and supplies	140,145	50,973	191,118
Travel and training	2,626	-	2,626
Utilities and telephone	52,587	79,418	132,005
Insurance	24,709	14,586	39,295
Depreciation	263,941	65,985	329,926
Bad debt provision	4,091	1,450	5,541
Miscellaneous	47,536	8,282	55,818
<b>Total Operating Expenses</b>	<u>911,429</u>	<u>272,938</u>	<u>1,184,366</u>
<b>Operating Loss</b>	<u>(36,227)</u>	<u>17,009</u>	<u>(19,217)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	1,442		1,442
Interest expense	(70,293)	(10,955)	(81,248)
Grant Proceeds		659,648	659,648
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(68,851)</u>	<u>648,693</u>	<u>579,842</u>
<b>Change in Net Position</b>			560,623
<b>Total Net Position, Beginning</b>			<u>6,511,285</u>
<b>Total Net Position, Ending</b>			<u>\$ 7,071,908</u>

**CITY OF BURKESVILLE, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 JUNE 30, 2022**

	<u>Payroll</u>	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>ABC</u>	<u>Total Non-major Fund</u>
<b>Assets</b>					
Cash in bank	\$ 36,564	\$ 3,922	\$ 53,869	\$ 41,341	\$ 135,696
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 36,564</u>	<u>\$ 3,922</u>	<u>\$ 53,869</u>	<u>\$ 41,341</u>	<u>\$ 135,696</u>
<b>Liabilities</b>					
Payroll liabilities	\$ 26,368	\$ -	\$ -	\$ -	\$ 26,368
<b>Fund Balance</b>					
Restricted:					
ABC	-	-	-	41,341	41,341
Economic assistance	-	3,922	-	-	3,922
Municipal roads	-	-	53,869	-	53,869
Assigned:					
Administrative	10,196	-	-	-	10,196
<b>Total Liabilities and Fund Balance</b>	<u>\$ 36,564</u>	<u>\$ 3,922</u>	<u>\$ 53,869</u>	<u>\$ 41,341</u>	<u>\$ 135,696</u>

**CITY OF BURKESVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2022**

	<u>Payroll</u>	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>ABC</u>	<u>Total Non-major Fund</u>
<b>Revenues</b>					
Regulatory Fees	\$ -	\$ -	\$ -	\$ 61,664	\$ 61,664
Interest income	98	2	56	47	203
Intergovernmental revenues	-	2,747	31,101	-	33,848
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>98</b>	<b>2,749</b>	<b>31,157</b>	<b>61,711</b>	<b>95,715</b>
<b>Expenditures</b>					
Current:					
Administration	94	780	780	-	1,654
Public Safety	-	-	-	23,607	23,607
Streets	-	-	-	-	-
Capital Fund	-	-	-	4,920	4,920
<b>Total Expenditures</b>	<b>94</b>	<b>780</b>	<b>780</b>	<b>28,527</b>	<b>30,181</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>4</b>	<b>1,969</b>	<b>30,377</b>	<b>33,184</b>	<b>65,534</b>
<b>Other Financing Sources</b>					
Transfers in (out)	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>4</b>	<b>1,969</b>	<b>30,377</b>	<b>33,184</b>	<b>65,534</b>
<b>Fund Balance - Beginning of Year</b>	<b>10,192</b>	<b>1,953</b>	<b>23,492</b>	<b>8,157</b>	<b>43,794</b>
<b>Fund Balance - End of Year</b>	<b>\$ 10,196</b>	<b>\$ 3,922</b>	<b>\$ 53,869</b>	<b>\$ 41,341</b>	<b>\$ 109,328</b>

**SK LEE CPAS, P.S.C.**  
*Certified Public Accountants*

208 Pauline Drive, Suite D  
Berea, Kentucky 40403  
(859) 986-3756

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**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 Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## **The City's Response to Findings**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
December 14, 2022

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**MATERIAL WEAKNESS**

2022-001 Financial Statement Preparation

**Condition:**

During my audit procedures, we noted some instances of this objective not being completely achieved.

**Criteria:**

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cause:**

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

**Effect:**

Management is responsible for establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regards to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

**Recommendation:**

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

**Views of Responsible Officials:**

Management agrees with the recommendation.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2022**

**MATERIAL WEAKNESS**

2022-002 Segregation of Duties

Condition:

While conducting our audit procedures to gain an understanding of internal controls over financial reporting, we noted a lack of segregation of duties which enabled one individual access to authorize transactions, custody of assets, recording and reporting of the City's transactions in the cash receipts, cash disbursement, and payroll process.

Criteria:

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

Cause:

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

Effect:

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

Recommendation: The lack of segregation of duties is a common deficiency in City's the size of Burkesville. The City Council should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF BURKESVILLE, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**CITY OF BURKESVILLE, KENTUCKY  
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**CITY OF BURKESVILLE  
P.O. BOX 250  
BURKESVILLE, KENTUCKY  
(270) 864-5391**

**CITY OFFICIALS AND OFFICERS**

**MAYOR**

Laurel Irby

**MEMBERS OF COUNCIL**

Jamie Allen  
Connie Cravens  
Glenn Murphy  
Trevor Owsley  
Bobby Shawn Riddle  
Michael Sams

**OFFICERS**

Marquetta Riley  
City Clerk/Treasurer

Holly Long Parrigin  
City Attorney

Wesley Long  
Chief of Police

Greg Cary  
Fire Chief

David McIntyre  
Public Works Director

Joe Appleby  
Water/Wastewater Director

*SK LEE CPAS, P.S.C.*  
*Certified Public Accountants*

*208 Pauline Drive, Suite D*  
*Berea, Kentucky 40403*  
*(859) 986-3756*  
*(859) 986-0103*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called "the City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 opinion.

***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

### ***Required Supplementary Information***

Management has omitted the Management 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 the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 35 and the pension schedules and OPEB schedules on pages 36-42, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information such as the schedule of water and sewer revenues, expenses, and changes in net position, the combining balance sheet – non-major governmental funds – special revenue funds, and the combining statement of revenues, expenditures, and changes in fund balance – non-major governmental funds – special revenue funds on pages 43-45, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information such as the financial data schedules and the schedule of certification of actual modernization costs is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
December 7, 2023

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,392,155	\$ 330,982	\$ 1,723,137
Receivables, net	9,591	127,999	137,590
<b>Total Current Assets</b>	<b><u>1,401,746</u></b>	<b><u>458,981</u></b>	<b><u>1,860,727</u></b>
<b>Non-Current Assets</b>			
Restricted cash	136,168	918,753	1,054,921
Certificates of deposit	457,142	215,963	673,105
Capital assets:			
Non-depreciable	-	4,542,588	4,542,588
Depreciable, net	723,630	7,463,474	8,187,104
<b>Total Non-Current Assets</b>	<b><u>1,316,940</u></b>	<b><u>13,140,778</u></b>	<b><u>14,457,718</u></b>
<b>Total Assets</b>	<b><u>2,718,686</u></b>	<b><u>13,599,759</u></b>	<b><u>16,318,445</u></b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	335,617	127,800	463,417
Deferred amounts related to OPEB	219,498	106,087	325,585
<b>Total Deferred Outflows of Resources</b>	<b><u>555,115</u></b>	<b><u>233,887</u></b>	<b><u>789,002</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	19,774	33,608	53,382
Accrued expenses	123,828	42,705	166,533
Accrued interest	-	6,849	6,849
Customer deposits payable	-	54,051	54,051
Notes and leases payable, net	11,480	2,260,286	2,271,766
<b>Total Current Liabilities</b>	<b><u>155,082</u></b>	<b><u>2,397,499</u></b>	<b><u>2,552,581</u></b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	-	1,816,681	1,816,681
Net pension liability	2,241,144	911,554	3,152,698
Net OPEB liability	619,548	248,815	868,363
<b>Total Non-Current Liabilities</b>	<b><u>2,860,692</u></b>	<b><u>2,977,050</u></b>	<b><u>5,837,742</u></b>
<b>Total Liabilities</b>	<b><u>3,015,774</u></b>	<b><u>5,374,549</u></b>	<b><u>8,390,323</u></b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	30,297	8,644	38,941
Deferred amounts related to OPEB	189,623	91,422	281,045
<b>Total Deferred Inflows of Resources</b>	<b><u>219,920</u></b>	<b><u>100,066</u></b>	<b><u>319,986</u></b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	712,151	7,929,095	8,641,246
Restricted	136,168	918,753	1,054,921
Unrestricted (deficit)	(810,212)	(488,818)	(1,299,030)
<b>Total Net Position (Deficit)</b>	<b><u>\$ 38,107</u></b>	<b><u>\$ 8,359,030</u></b>	<b><u>\$ 8,397,137</u></b>

**CITY OF BURKESVILLE, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contribution</b>	
<b>Government Activities</b>					
General government	\$ 155,173	\$ -	\$ -	\$ -	\$ (155,173)
Police	1,045,812	-	-	-	(1,045,812)
Fire	135,015	-	11,500	-	(123,515)
Street	323,887	-	-	-	(323,887)
Parks and recreation	126,211	-	-	-	(126,211)
<b>Total Governmental Activities</b>	<b>1,786,098</b>	<b>-</b>	<b>11,500</b>	<b>-</b>	<b>(1,774,598)</b>
<b>Business-Type Activities</b>					
Water and sewer	1,385,708	1,101,435	-	1,390,226	1,105,953
Sanitation	276,992	254,461	-	-	(22,531)
<b>Total Business-Type Activities</b>	<b>1,662,700</b>	<b>1,355,896</b>	<b>-</b>	<b>1,390,226</b>	<b>1,083,422</b>
<b>Total Activities</b>	<b>\$ 3,448,798</b>	<b>\$ 1,355,896</b>	<b>\$ 11,500</b>	<b>\$ 1,390,226</b>	<b>\$ (691,176)</b>

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Change in Net Position</b>			
Net (expense) revenue	\$ (1,774,598)	\$ 1,083,422	\$ (691,176)
<b>General Revenues</b>			
Taxes	118,197	-	118,197
Licenses, permits, and other taxes	1,171,990	-	1,171,990
Intergovernmental	413,759	-	413,759
Services and fees	43,469	-	43,469
Interest income	9,414	4,207	13,621
Miscellaneous	28,933	114,375	143,308
Total General Revenues	1,785,762	118,582	1,904,344
<b>Change in Net Position</b>	<b>11,164</b>	<b>1,202,004</b>	<b>1,213,168</b>
<b>Net Position (Deficit), Beginning</b>	<b>26,943</b>	<b>7,157,026</b>	<b>7,183,969</b>
<b>Net Position (Deficit), Ending</b>	<b>\$ 38,107</b>	<b>\$ 8,359,030</b>	<b>\$ 8,397,137</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,319,710	\$ 72,445	\$ 1,392,155
Certificates of deposit	457,142	-	457,142
Accounts receivable	9,591	-	9,591
Restricted cash	20,826	115,342	136,168
<b>Total Assets</b>	<b>\$ 1,807,269</b>	<b>\$ 187,787</b>	<b>\$ 1,995,056</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 19,774	\$ -	\$ 19,774
Accrued expenses	61,717	62,111	123,828
<b>Total Liabilities</b>	<b>81,491</b>	<b>62,111</b>	<b>143,602</b>
 <b>Fund Balances</b>			
Restricted	20,826	115,342	136,168
Unassigned	1,704,952	10,334	1,715,286
<b>Total Fund Balances</b>	<b>1,725,778</b>	<b>125,676</b>	<b>1,851,454</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 1,807,269</b>	 <b>\$ 187,787</b>	 <b>\$ 1,995,056</b>
 Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:			
Fund balances reported above			\$ 1,851,454
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			723,630
Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.			335,195
 All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.			
Lease Liability			(11,480)
Net pension liability			(2,241,144)
Net OPEB liability			(619,548)
 <b>Net Position (Deficit) of Governmental Activities</b>			 <b>\$ 38,107</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 118,197	\$ -	\$ 118,197
Licenses, permits and fees	1,100,762	71,228	1,171,990
Intergovernmental	377,832	35,927	413,759
Service charges and fees	54,969	-	54,969
Other	37,957	390	38,347
	<b>1,689,717</b>	<b>107,545</b>	<b>1,797,262</b>
<b>Expenditures</b>			
General and administration department	151,185	1,678	152,863
Police department	936,496	29,835	966,331
Fire department	102,743	-	102,743
Street department	261,731	40,000	301,731
Park and recreation department	107,479	-	107,479
Debt service	-	19,679	19,679
Capital outlay	78,737	-	78,737
	<b>1,638,371</b>	<b>91,192</b>	<b>1,729,563</b>
<b>Net Change in Fund Balance</b>	<b>51,346</b>	<b>16,353</b>	<b>67,699</b>
<b>Fund Balance, Beginning</b>	<b>1,674,432</b>	<b>109,323</b>	<b>1,783,755</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,725,778</b>	<b>\$ 125,676</b>	<b>\$ 1,851,454</b>
<b>Net Changes in Fund Balances - Total Governmental Funds</b>			<b>\$ 67,699</b>
 Amounts reported for <i>government activities</i> in the Statement of Activities are different because:			
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.			
			(35,262)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in capital lease liability of governmental activities			
			19,679
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities			
			(40,952)
<b>Change in Net Position of Governmental Activities</b>			<b>\$ 11,164</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<u>Water &amp; Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Proprietary Funds</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 226,538	\$ 104,444	\$ 330,982
Receivables, net	101,945	26,054	127,999
<b>Total Current Assets</b>	<b>328,483</b>	<b>130,498</b>	<b>458,981</b>
<b>Non-Current Assets</b>			
Restricted cash	917,265	1,488	918,753
Certificates of deposit	164,845	51,118	215,963
Capital assets:			
Non-depreciable	4,542,588		4,542,588
Depreciable, net	7,402,632	60,842	7,463,474
<b>Total Non-Current Assets</b>	<b>13,027,330</b>	<b>113,448</b>	<b>13,140,778</b>
<b>Total Assets</b>	<b>13,355,813</b>	<b>243,946</b>	<b>13,599,759</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	106,935	20,865	127,800
Deferred amounts related to OPEB	88,767	17,320	106,087
<b>Total Deferred Outflows of Resources</b>	<b>195,702</b>	<b>38,185</b>	<b>233,887</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	23,766	9,842	33,608
Accrued expenses	39,498	3,207	42,705
Accrued interest	6,849	-	6,849
Customer deposits payable	54,051	-	54,051
Notes and leases payable, net	2,260,286	-	2,260,286
<b>Total Current Liabilities</b>	<b>2,384,450</b>	<b>13,049</b>	<b>2,397,499</b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	1,816,681	-	1,816,681
Net pension liability	762,729	148,825	911,554
Net OPEB liability	208,192	40,623	248,815
<b>Total Non-Current Liabilities</b>	<b>2,787,602</b>	<b>189,448</b>	<b>2,977,050</b>
<b>Total Liabilities</b>	<b>5,172,052</b>	<b>202,497</b>	<b>5,374,549</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	7,233	1,411	8,644
Deferred amounts related to OPEB	76,496	14,926	91,422
<b>Total Deferred Inflows of Resources</b>	<b>83,729</b>	<b>16,337</b>	<b>100,066</b>
<b>Net Position</b>			
Net investment in capital assets	7,868,253	60,842	7,929,095
Restricted	917,265	1,488	918,753
Unrestricted (deficit)	(489,785)	967	(488,818)
<b>Total Net Position</b>	<b>\$ 8,295,733</b>	<b>\$ 63,297</b>	<b>\$ 8,359,030</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Water and Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,101,435	\$ 254,461	\$ 1,355,896
Miscellaneous	114,375	-	114,375
<b>Total Operating Revenues</b>	<u>1,215,810</u>	<u>254,461</u>	<u>1,470,271</u>
<b>Operating Expenses</b>			
Salaries	302,543	64,112	366,655
Employee benefits	194,493	45,553	240,046
Contractual services	9,816	4,217	14,033
Materials and supplies	241,014	105,712	346,726
Travel and training	1,983	56	2,039
Utilities and telephone	141,727	11,768	153,495
Insurance	40,059	10,559	50,618
Depreciation	330,107	27,788	357,895
Bad debt provision	5,508	1,273	6,781
Miscellaneous	65,364	5,955	71,319
<b>Total Operating Expenses</b>	<u>1,332,614</u>	<u>276,992</u>	<u>1,609,606</u>
<b>Operating Loss</b>	<u>(116,804)</u>	<u>(22,531)</u>	<u>(139,335)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	3,497	710	4,207
Interest expense	(53,093)	-	(53,093)
Loan forgiveness	1,000,000	-	1,000,000
Grant proceeds	390,226	-	390,226
<b>Total Non-Operating Revenue (Expenses)</b>	<u>1,340,630</u>	<u>710</u>	<u>1,341,340</u>
<b>Change in Net Position</b>	1,223,825	(21,821)	1,202,004
<b>Total Net Position, Beginning</b>	<u>7,071,908</u>	<u>85,118</u>	<u>7,157,026</u>
<b>Total Net Position, Ending</b>	<u>\$ 8,295,733</u>	<u>\$ 63,297</u>	<u>\$ 8,359,030</u>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water &amp; Sewer Utilities</b>	<b>Sanitation Utilities</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,105,952	\$ 253,010	\$ 1,358,962
Cash received from other sources	114,375	-	114,375
Cash payments to suppliers for goods and services	(694,597)	(181,539)	(876,136)
Cash payments to employees	(289,927)	(64,298)	(354,225)
<b>Net Cash Provided by Operating Activities</b>	<b>235,803</b>	<b>7,173</b>	<b>242,976</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from issuance of debt	178,915	-	178,915
Proceeds from capital financing	1,004,485	-	1,004,485
Principal, interest, and related fees paid on long-term debt	(1,305,965)	-	(1,305,965)
Acquisition and construction of capital assets	(417,684)	-	(417,684)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(540,249)</b>	<b>-</b>	<b>(540,249)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of certificates of deposit	(900)	(259)	(1,159)
Cash received from interest income	2,759	474	3,233
<b>Net Cash Provided by Investing Activities</b>	<b>1,859</b>	<b>215</b>	<b>2,074</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(302,587)</b>	<b>7,388</b>	<b>(295,199)</b>
<b>Cash and Cash Equivalents at July 1, 2022</b>	<b>1,446,390</b>	<b>98,544</b>	<b>1,544,934</b>
<b>Cash and Cash Equivalents at June 30, 2023</b>	<b>\$ 1,143,803</b>	<b>\$ 105,932</b>	<b>\$ 1,249,735</b>
<sup>(1)</sup> Cash and cash equivalents are reflected in the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 226,538	\$ 104,444	\$ 330,982
Restricted cash and cash equivalents	917,265	1,488	918,753
<b>Subtotal</b>	<b>\$ 1,143,803</b>	<b>\$ 105,932</b>	<b>\$ 1,249,735</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
<b>Operating loss</b>	<b>\$ (116,804)</b>	<b>\$ (22,531)</b>	<b>\$ (139,335)</b>
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	330,107	27,788	357,895
Bad debt provision	5,508	1,273	6,781
Changes in assets and liabilities:			
(Increase) decrease in customer accounts receivable	5,583	(1,451)	4,132
(Increase) decrease in outflows of resources	46,098	8,995	55,093
Increase (decrease) in accounts payable	2,873	(2,182)	691
Increase (decrease) in accrued expenses	(13,342)	(200)	(13,542)
Increase (decrease) in customer deposits	(1,066)	-	(1,066)
Increase (decrease) in net pension and OPEB liability	118,153	23,054	141,207
Increase (decrease) in inflows of resources	(141,307)	(27,573)	(168,880)
<b>Total adjustments</b>	<b>352,607</b>	<b>29,704</b>	<b>382,311</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 235,803</b>	<b>\$ 7,173</b>	<b>\$ 242,976</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Burkesville, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government. The City's major operations include police and fire protection, parks and recreation, and general administrative services. The City also operates a water, sewer and sanitation system for its citizens. The citizens of Burkesville elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing City, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Special Revenue Funds* consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2023, the original budget was approved in June 2022 and amended June 2023. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Certificates of Deposit**

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2023 were levied in November 2022, respectively, on the assessed property located in the City of Burkesville as of the preceding January 1. The rate for real estate was 10.4 cents per one hundred dollars of assessed value. The rate for auto and boats was 23.3 cents and other tangible property was 29 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                              |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30                  |
| 2. Face value payment period                  | December 1 to December 31    |
| 3. Past due date, 10% penalty                 | January 1                    |
| 4. Interest charge                            | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Cumberland County and are due and collected in the birth month of the licensee.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years

**Compensated Absences**

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation time in excess of 120 hours is generally required to be used within one year of accumulation. Upon termination, up to 120 hours of accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

**Accrued Liabilities and Long-Term Obligations**

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

In general, 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 funds. However, claims and judgments and compensated absences 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.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meets this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial 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 revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

**Pensions and Other Postemployment Benefits**

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT**

Deposits, both restricted and unrestricted at June 30, 2023 consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>Governmental</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating	Yes	\$ 1,319,711	\$ 226,538	\$ 104,443	\$ 1,650,692
LGEA	Yes	6,238	-	-	6,238
MRA	Yes	44,917	-	-	44,917
Payroll	Yes	72,445	-	-	72,445
Better Ball Initiative	Yes	-	-	-	-
Police Cruiser Grant	Yes	-	-	-	-
ABC Police Dept.	Yes	64,186	-	-	64,186
KLC	Yes	20,826	7,438	1,488	29,752
1989 Sinking Fund	Yes	-	-	-	-
1997 Depreciation Fund	Yes	-	-	-	-
2010 Depreciation Fund	Yes	-	30,042	-	30,042
2010 Sinking Fund	Yes	-	21,108	-	21,108
2011 Sinking Fund	Yes	-	130,389	-	130,389
2011 Depreciation Fund	Yes	-	38,100	-	38,100
2015 Sinking Fund	Yes	-	149,212	-	149,212
2015 Depreciation Fund	Yes	-	16,021	-	16,021
2018 Sinking Fund	Yes	-	126,760	-	126,760
2018 Depreciation Fund	Yes	-	19,376	-	19,376
Regions Sewer Project	Yes	-	-	-	-
Regions Reserve Account	Yes	-	-	-	-
2019 Sinking Fund	Yes	-	137,179	-	137,179
2019 Depreciation	Yes	-	26,475	-	26,475
Waste Water Project #2 2019	Yes	-	8,495	-	8,495
2020 Sinking Fund	Yes	-	8,021	-	8,021
American Relief Plan Act	Yes	-	157,119	-	157,119
KY Bond Corporation	Yes	-	41,531	-	41,531
<b>Total</b>		<b><u>\$ 1,528,323</u></b>	<b><u>\$ 1,143,804</u></b>	<b><u>\$ 105,931</u></b>	<b><u>\$ 2,778,058</u></b>

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT – CONTINUED**

Certificates of deposit at June 30, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Total</u>
Certificate of deposit	4.75%	11/23/23	\$ 457,142
Certificate of deposit	4.65%	5/21/24	51,118
Certificate of deposit	4.75%	11/23/23	<u>164,845</u>
<b>Total</b>			<b><u>\$ 673,105</u></b>

**Credit Risk**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2023, none of the City's deposits were subject to credit risk.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$3,451,163 and the bank balances totaled \$ 3,462,237. At June 30, 2023, \$4,133,412 of collateral was pledged to the City by the custodial bank and \$571,515 by FDIC insurance.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 3 – RECEIVABLES**

Receivables as of fiscal year-end for the City’s individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Accounts receivables				
Taxes	\$ -	\$ -	\$ -	\$ -
Customers	-	182,293	44,694	226,987
Other	7,271	-	-	7,271
Interest	2,320	837	267	3,424
	<u>9,591</u>	<u>183,130</u>	<u>44,961</u>	<u>237,682</u>
Gross receivables	9,591	183,130	44,961	237,682
Less allowance for bad debt	-	81,185	18,907	100,092
	<u>-</u>	<u>81,185</u>	<u>18,907</u>	<u>100,092</u>
<b>Net total receivables</b>	<b><u>\$ 9,591</u></b>	<b><u>\$ 101,945</u></b>	<b><u>\$ 26,054</u></b>	<b><u>\$ 137,590</u></b>

**NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. There were no fund transfers for the year ended June 30, 2023.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

Capital assets for the governmental activities during the year ended June 30, 2023 are as follows:

	<u>Beginning Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2023</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 130,319	\$ -	\$ -	\$ 130,319
Construction in process	71,106	28,681	-	99,787
<b>Total capital assets, not being depreciated:</b>	<u>201,425</u>	<u>28,681</u>	<u>-</u>	<u>230,106</u>
<b>Capital assets, being depreciated:</b>				
Buildings	210,786	-	25,000	185,786
Machinery and equipment	720,516	27,809	-	748,325
Furniture and fixtures	5,869	-	-	5,869
Infrastructure	1,076,601	22,247	-	1,098,848
Other Assets	3,250	-	-	3,250
Road equipment	87,184	-	-	87,184
Right of Use Assets	49,506	-	-	49,506
<b>Total capital assets, being depreciated:</b>	<u>2,153,712</u>	<u>50,056</u>	<u>25,000</u>	<u>2,178,768</u>
<b>Less accumulated depreciation for</b>				
<b>Governmental Activities</b>				
Building	65,413	8,614	25,000	49,027
Machinery and equipment	577,721	50,912	-	628,633
Furniture and fixtures	560	651	-	1,211
Infrastructure	851,312	30,761	-	882,073
Other Assets	1,625	-	-	1,625
Road equipment	87,184	-	-	87,184
Right of Use Assets	12,429	23,062	-	35,491
<b>Total accumulated depreciation</b>	<u>1,596,244</u>	<u>114,000</u>	<u>25,000</u>	<u>1,685,244</u>
<b>Total capital assets, being depreciated, net</b>	<u>557,468</u>			<u>493,524</u>
<b>Government activities capital assets, net</b>	<u>\$ 758,893</u>			<u>\$ 723,630</u>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

Depreciation expense for governmental activities is charged to functions as follows:

	<b>2023</b>
General	\$ 6,513
Police	38,608
Fire	31,416
Street	19,873
Park	17,590
<b>Total</b>	<b>\$ 114,000</b>

Capital assets for the business-type activities during the year ended June 30, 2023 are as follows:

	<b>Beginning Balance 7/1/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 6/30/2023</b>
<b>Business-Type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 61,445	\$ -	\$ -	\$ 61,445
Construction in process	4,069,106	412,037	-	4,481,143
<b>Total capital assets, not being depreciated:</b>	<b>1,096,924</b>	<b>412,037</b>	<b>-</b>	<b>4,542,588</b>
<b>Capital assets, being depreciated:</b>				
Buildings and Improvements	39,554	-	-	39,554
Machinery and Equipment	382,092	5,647	-	387,739
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	10,708,950	-	-	10,708,950
Waste Water Treatment Facility	4,124,716	-	-	4,124,716
Sanitation Equipment	285,744	-	-	285,744
Right of Use Assets	30,443	-	-	30,443
<b>Total capital assets, being depreciated:</b>	<b>15,730,607</b>	<b>5,647</b>	<b>-</b>	<b>15,736,254</b>
<b>Less accumulated depreciation for</b>				
<b>Business-Type Activities</b>				
Buildings and Improvements	38,189	733	-	38,922
Machinery and Equipment	356,636	10,466	-	367,102
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	3,661,094	216,451	-	3,877,545
Waste Water Treatment Facility	3,490,061	92,307	-	3,582,368
Sanitation Equipment	197,114	27,788	-	224,902
Right of Use Assets	12,685	10,148	-	22,833
<b>Total accumulated depreciation</b>	<b>7,914,887</b>	<b>357,895</b>	<b>-</b>	<b>8,272,780</b>
<b>Total capital assets, being depreciated, net</b>	<b>7,815,720</b>			<b>7,463,474</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 8,912,644</b>			<b>\$ 12,006,062</b>

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

Depreciation expense for business-type activities is charged to functions as follows:

	<u>2023</u>
Water	\$ 264,085
Sewer	66,022
Sanitation	27,788
<b>Total</b>	<b><u>\$ 357,895</u></b>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental-type</b>					
Net Pension Liability	\$ 1,973,319	\$ 267,825	\$ -	\$ 2,241,144	\$ -
Net OPEB Liability	596,476	23,072	-	619,548	-
Leases	31,158	-	19,678	11,480	11,480
<b>Business-type</b>					
Leases	17,758	-	10,147	7,611	7,611
Notes Payable	5,118,726	178,915	1,228,285	4,069,356	2,252,675
Net Pension Liability	783,845	127,709	-	911,554	-
Net OPEB Liability	235,318	13,497	-	248,815	-
Plus: Unamortized Note Premium	8,855	-	-	8,855	-
Plus: Unamortized Bond Premium	3,518	-	-	3,518	-
<b>Total</b>	<b><u>\$8,768,973</u></b>	<b><u>\$ 611,018</u></b>	<b><u>\$1,258,110</u></b>	<b><u>\$ 8,121,881</u></b>	<b><u>\$ 2,271,766</u></b>

**Revenue Bonds and Covenants**

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years was \$1,933,000. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 10 to 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 4.5% to 5.0%. The debt reserve requirement was in compliance for the fiscal year.

**Notes Payable**

On September 3, 2009, the City of Burkesville entered into a loan assistance agreement of \$1,153,000, with Kentucky Infrastructure Authority for a repair of the main street water line. As of June 30, 2023, the City had a balance of \$211,373 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2031. The loan calls for a \$30,000 repairs and maintenance reserve.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Notes Payable-Continued**

On May 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$1,000,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2023, the City had a balance of \$419,465 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$25,000 repairs and maintenance reserve.

On June 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$500,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2023, the City had a balance of \$296,609 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$13,000 repairs and maintenance reserve.

On January 1, 2017, the City of Burkesville entered into a loan assistance agreement of \$621,323, with Kentucky Infrastructure Authority for a water distribution extension project. As of June 30, 2023, the City had a balance of \$429,496 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2037. The loan calls for a \$30,000 repairs and maintenance reserve.

On May 13, 2020, the City of Burkesville entered into a loan assistance agreement of \$895,000, with Kentucky Bond Corporation to refinance City’s loan balances to the USDA. As of June 30, 2023, the City had a balance of \$656,667 on the loan. The note bears interest at a rate of 2% through February 2031 and 2.25% through February 2032 and principal and interest payments are due in August and February of each fiscal year. The note matures on February 1, 2032.

On October 5, 2020, the City of Burkesville entered into a loan agreement of \$3,088,045, with Kentucky Bond Corporation for a construction loan. As of June 30, 2023, the City had a balance of \$2,055,745 on the loan. The note bears interest at a rate of 0.5%.

**Capital Leases**

The City entered into a lease agreement with Don Franklin in the amount of \$40,591 for the purchase of purchasing a vehicle in April 2021 payable in 36 monthly installments of \$1,128. Total future minimum payments under this agreement are \$11,480 at June 30, 2023.

The City entered into a lease agreement with Don Franklin in the amount of \$39,360 for the purchase of purchasing a vehicle in April 2021 payable in 36 monthly installments of \$1,640. Total future minimum payments under this agreement are \$7,611 at June 30, 2023.

<b>Fiscal Year Ending</b>	<b>Capital Lease Principal</b>
2024	19,091
Total	\$ 19,091

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Capital Leases - Continued**

The annual debt service requirements to maturity for this lease agreement is as follows:

The minimum obligations of the City's at June 30, 2023 for the payment of loan principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2024	2,252,675	25,642	2,278,317
2025	198,046	22,925	220,971
2026	204,089	20,283	224,372
2027	205,142	17,529	222,671
2028-2032	898,479	48,238	946,717
2033-2037	310,925	70,982	381,907
<b>Total</b>	<b>\$ 4,069,356</b>	<b>\$ 205,599</b>	<b>\$ 4,274,955</b>

**Compliance with Reserve Requirements**

The City of Burkesville is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. One twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The KIA loans call for the creation of a repairs and maintenance reserve of \$98,000. At June 30, 2023, the depreciation fund had a balance of \$572,670.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2023, the debt service funds had a balance of \$130,012.

**NOTE 7 – RETIREMENT PLAN**

The City of Burkesville is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Plan Description* – CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, City, and school board, and any additional eligible local agencies electing to participate in the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions* – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications, and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% (non-hazardous) and 49.59% (hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution. For the fiscal year ended June 30, 2023 the contributions for hazardous and non-hazardous positions were \$114,575 and \$164,703, respectively.

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years' service or 65 years old At least 5 years' service and 55 years old At least 25 years' service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years' service and 65 years or age 57+ and sum of service years plus age equal 87 At least 10 years' service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years' service and 65 years old or age 57+ and sum of service years plus age equal 87 Not available

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2023 the City reported a liability of \$3,152,698 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .026 percent for non-hazardous and .042 percent for hazardous. For the year ended June 30, 2023, the City recognized pension expenses of \$293,376. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 39,044	\$ 16,567
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	77,542	-
Changes in proportion and differences between employer contribution and proportionate share of contribution	67,552	22,374
City contributions subsequent to the measurement date	279,278	-
<b>Total</b>	<b>\$ 463,416</b>	<b>\$ 38,941</b>

The \$279,278 of deferred outflows of resources 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2023	\$ 48,064
2024	34,218
2025	(19,814)
2026	82,729
2027	-
Thereafter	-

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability* – The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021, and was performed by Gabriel Roeder Smith (GRS). The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

**Non-Hazardous**

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%

**Hazardous**

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.55% to 19.05%, varies by service
Investment rate of return	6.25%

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2022. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

For the year end June 30, 2023 the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
<b>Equity</b>	<b>60.00%</b>	
US Equity	50.00%	4.45%
Non-US Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Expected Real Return</b>		<b>4.28%</b>
<b>Long Term Nominal Return for Portfolio</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.58%</b>

*Discount Rate* – The projection of cash flows used to determine the discount rate of 6.25% for Non-Hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% Decrease	5.25%	\$ 3,152,698
Current discount rate	6.25%	\$ 3,935,037
1% Increase	7.25%	\$ 2,509,653

*Payable to the Pension Plan* – At June 30, 2023, the City reported a payable of \$29,928 for the outstanding amount of contributions to the pension and OPEB plans.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

*Benefits Provided* – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

*Contributions* – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. For the years ended June 30, 2023, participating employers contributed 3.39% (non-hazardous) and 6.78% (hazardous) of covered payroll. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). For the fiscal year ended June 30, 2023, the contributions for hazardous and non-hazardous positions were \$18,146 and \$23,861, respectively.

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2023 the City reported a liability of \$868,363 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .042 percent for non-hazardous and .026 percent for hazardous. For the year ended June 30, 2023, the City recognized OPEB expenses of \$125,305. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Implicit subsidy	\$ 22,242	\$ -
Differences between expected and actual results	59,080	137,802
Changes of assumptions	140,501	128,218
Net difference between projected and actual earnings on plan investments	33,771	-
Changes in proportion and differences between employer contribution and proportionate share of contribution	27,984	15,025
City's contributions subsequent to the measurement date	42,007	-
<b>Total</b>	<b><u>\$ 325,585</u></b>	<b><u>\$ 281,045</u></b>

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

The \$42,007 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>	
2023	\$ 6,900
2024	4,955
2025	(31,792)
2026	12,755
2027	(12,527)
Thereafter	-

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-Hazardous**

Inflation	2.30%	
Payroll growth rate	2.00%	
Salary increase	3.30% to 10.30%, varies by service	
Investment rate of return	6.25%	
Healthcare Trend Rates		
Pre - 65		Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65		Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

**Hazardous**

Inflation	2.30%	
Payroll growth rate	2.00%	
Salary increase	3.55% to 19.05%, varies by service	
Investment rate of return	6.25%	
Healthcare Trend Rates		
Pre - 65		Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65		Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
<b>Equity</b>	<b>60.00%</b>	
US Equity	50.00%	4.45%
Non-US Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Expected Real Return</b>		<b>4.28%</b>
<b>Long Term Nominal Return for Portfolio</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.58%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous classifications. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20- Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2023**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate for June 30, 2023*

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.70%) or one percentage point higher (6.70%) follows:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability</u>	
1% Decrease	4.70%	\$	678,828
Current discount rate	5.70%	\$	507,785
1% Increase	6.70%	\$	366,390

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.61%) or one percentage point higher (6.61%) follows:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability</u>	
1% Decrease	4.61%	\$	501,012
Current discount rate	5.61%	\$	360,578
1% Increase	6.61%	\$	246,519

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2023*

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.70%) or one percentage point higher (6.70%) than current healthcare cost trend rates follows:

<b>City's Net OPEB Liability Healthcare Cost</b>		
<u>Trend Rate -1%</u>	<u>Trend Rate</u>	<u>Trend Rate +1%</u>
4.70%	5.70%	6.70%
<b>\$ 377,527</b>	<b>\$ 507,785</b>	<b>\$ 664,201</b>

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.61%) or one percentage point higher (6.61%) than current healthcare cost trend rates follows:

<b>City's Net OPEB Liability Healthcare Cost</b>		
<u>Trend Rate -1%</u>	<u>Trend Rate</u>	<u>Trend Rate +1%</u>
4.61%	5.61%	6.61%
<b>\$ 251,787</b>	<b>\$ 360,578</b>	<b>\$ 493,188</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2023**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer's Responses to Auditor's Request per the opinion of counsel.

Significant losses are covered by commercial insurance with premiums (based on industry information adjustment for any City claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2023, the City was sufficiently insured.

**NOTE 11 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through December 7, 2023, which is the date the financial statements were available to be issued.

**CITY OF BURKESVILLE, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 107,000	\$ 114,000	\$ 118,197	\$ 4,197
Licenses, permits and fees	1,069,300	1,069,300	1,100,762	31,462
Intergovernmental	6,600	6,600	377,832	371,232
Service charges and fees	282,400	282,400	54,969	(227,431)
Other	104,400	104,400	37,957	(66,443)
<b>Total Revenues</b>	<b><u>1,569,700</u></b>	<b><u>1,576,700</u></b>	<b><u>1,689,717</u></b>	<b><u>113,017</u></b>
<b>Expenditures</b>				
General and administrative	190,931	190,931	151,185	39,746
Police	833,330	925,757	936,496	(10,739)
Fire	99,125	135,143	102,743	32,400
Street	252,462	263,462	261,731	1,731
Parks and recreation	147,352	137,352	107,479	29,873
Capital outlay	-	-	78,737	(78,737)
<b>Total Expenditures</b>	<b><u>1,523,200</u></b>	<b><u>1,652,645</u></b>	<b><u>1,638,371</u></b>	<b><u>14,274</u></b>
<b>Net Change in Fund Balance</b>	<b>46,500</b>	<b>(75,945)</b>	<b>51,346</b>	<b>127,291</b>
<b>Fund Balance, Beginning</b>	<b><u>948,435</u></b>	<b><u>70,162</u></b>	<b><u>1,674,432</u></b>	<b><u>-</u></b>
<b>Fund Balance, Ending</b>	<b><u>\$ 994,935</u></b>	<b><u>\$ (5,783)</u></b>	<b><u>\$ 1,725,778</u></b>	<b><u>\$ 127,291</u></b>

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST EIGHT FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>HAZARDOUS</u></b>								
City's proportion of the net pension liability (asset)	0.039437%	0.043087%	0.041847%	0.044367%	0.042234%	0.042251%	0.043479%	0.042353%
City's proportionate share of the net pension liability (asset)	\$ 605,398	\$ 739,341	\$ 936,234	\$ 1,072,924	\$ 1,166,876	\$ 1,273,880	\$ 1,157,480	\$ 1,292,384
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.26%	321.85%	378.84%	449.60%	472.71%	489.98%	419.64%	482.89%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%
<b><u>NON-HAZARDOUS</u></b>								
City's proportion of the net pension liability (asset)	0.022232%	0.023521%	0.022980%	0.023810%	0.025111%	0.024653%	0.025090%	0.025734%
City's proportionate share of the net pension liability (asset)	\$ 955,859	\$ 1,158,084	\$ 1,345,090	\$ 1,450,102	\$ 1,766,068	\$ 1,890,865	\$ 1,599,684	\$ 1,860,314
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.36%	206.68%	224.99%	218.20%	273.17%	296.65%	224.83%	264.30%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST EIGHT FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>HAZARDOUS</u></b>								
Contractually required contribution	\$ 45,383	\$ 49,872	\$ 54,864	\$ 61,618	\$ 74,295	\$ 78,155	\$ 93,395	\$ 114,575
Contributions in relation to the contractually required contribution	<u>(45,383)</u>	<u>(49,872)</u>	<u>(54,864)</u>	<u>(61,618)</u>	<u>(74,295)</u>	<u>(78,155)</u>	<u>(93,395)</u>	<u>(114,575)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
Contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.20%	25.82%	30.10%	30.06%	33.86%	42.81%
<b><u>NON-HAZARDOUS</u></b>								
Contractually required contribution	\$ 69,744	\$ 78,166	\$ 86,568	\$ 107,795	\$ 124,782	\$ 123,027	\$ 150,627	\$ 164,703
Contributions in relation to the contractually required contribution	<u>(69,744)</u>	<u>(78,166)</u>	<u>(86,568)</u>	<u>(107,795)</u>	<u>(124,782)</u>	<u>(123,027)</u>	<u>(150,627)</u>	<u>(164,703)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
Contributions as a percentage of covered-employee payroll	12.43%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>HAZARDOUS</u></b>					
City's proportion of the net OPEB liability	0.044367%	0.044223%	0.042238%	0.043479%	0.042332%
City's proportionate share of the net OPEB liability	\$ 316,319	\$ 312,472	\$ 390,324	\$ 351,554	\$ 360,578
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	132.55%	126.59%	150.13%	127.45%	134.73%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	64.44%	58.84%	66.81%	64.13%
<b><u>NON-HAZARDOUS</u></b>					
City's proportion of the net OPEB liability	0.022980%	0.025105%	0.024646%	0.025085%	0.025730%
City's proportionate share of the net OPEB liability	\$ 422,724	\$ 422,255	\$ 595,126	\$ 480,240	\$ 507,785
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	63.62%	65.31%	93.37%	67.50%	72.14%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	60.95%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO THE  
OTHER POST EMPLOYMENT BENEFITS  
LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>HAZARDOUS</u></b>					
Contractually required contribution	\$ 22,719	\$ 23,497	\$ 24,749	\$ 28,879	\$ 18,146
Contributions in relation to the contractually required contribution	<u>(22,719)</u>	<u>(23,497)</u>	<u>(24,749)</u>	<u>(28,879)</u>	<u>(18,146)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
Contributions as a percentage of covered-employee payroll	9.52%	9.52%	9.52%	10.47%	6.78%
<b><u>NON-HAZARDOUS</u></b>					
Contractually required contribution	\$ 34,957	\$ 30,767	\$ 30,335	\$ 41,125	\$ 23,861
Contributions in relation to the contractually required contribution	<u>(34,957)</u>	<u>(30,767)</u>	<u>(30,335)</u>	<u>(41,125)</u>	<u>(23,861)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
Contributions as a percentage of covered-employee payroll	5.26%	4.76%	4.76%	5.78%	3.39%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with the Statute, the following process is used to adopt the annual budget:

- The budget proposal is the responsibility of the Mayor and the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- No budget ordinance shall be adopted that provides for appropriations to exceed available resources in any one fiscal year, which would also violate section 157 of the Kentucky Constitution.
- The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of KRS 91A.030.
- Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

**Budgetary Accounting**

The annual operation budgets of governmental and proprietary funds are prepared and presented on the modified accrual basis of accounting. The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

**NOTE 2 – CERS**

**General Information**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

*June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The single discount rate increased from 5.20% to 5.70% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate increased from 1.92% to 3.39%

*June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous*

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED**  
**JUNE 30, 2023**

**NOTE 2 – CERS – CONTINUED**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The single discount rate decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate decreased from 3.13% to 1.92%

*June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous*

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

*June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous*

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

**Changes of Assumptions- Continued**

*June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

*June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous*

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

*June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED**  
**JUNE 30, 2023**

**NOTE 2 – CERS – CONTINUED**

*June 30, 2015 – Pension – Hazardous and Nonhazardous*

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on 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.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

*June 30, 2014 – Pension – Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

*June 30, 2013 – Pension – Hazardous and Nonhazardous*

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF WATER AND SEWER REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Water Utilities</u>	<u>Sewer Utilities</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 799,239	\$ 302,196	\$ 1,101,435
Miscellaneous	114,375	-	114,375
<b>Total Operating Revenues</b>	<b>913,614</b>	<b>302,196</b>	<b>1,215,810</b>
<b>Operating Expenses</b>			
Salaries	273,106	29,437	302,543
Employee benefits	169,749	24,744	194,493
Contractual services	4,968	4,848	9,816
Materials and supplies	163,822	77,192	241,014
Travel and training	1,983	-	1,983
Utilities and telephone	63,390	78,337	141,727
Insurance	26,035	14,024	40,059
Depreciation	264,085	66,022	330,107
Bad debt provision	3,997	1,511	5,508
Miscellaneous	59,436	5,928	65,364
<b>Total Operating Expenses</b>	<b>1,030,571</b>	<b>302,043</b>	<b>1,332,614</b>
<b>Operating Loss</b>	<b>(116,957)</b>	<b>153</b>	<b>(116,804)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	3,497		3,497
Interest expense	(33,465)	(19,628)	(53,093)
Loan forgiveness	-	1,000,000	1,000,000
Grant proceeds	-	390,226	390,226
<b>Total Non-Operating Revenue (Expenses)</b>	<b>(29,968)</b>	<b>1,370,598</b>	<b>1,340,630</b>
<b>Change in Net Position</b>			<b>1,223,825</b>
<b>Total Net Position, Beginning</b>			<b>7,071,908</b>
<b>Total Net Position, Ending</b>			<b>\$ 8,295,733</b>

**CITY OF BURKESVILLE, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 JUNE 30, 2023**

	<u>Payroll</u>	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>ABC</u>	<u>Total Non-major Fund</u>
<b>Assets</b>					
Cash in bank	\$ 72,445	\$ 6,238	\$ 44,917	\$ 64,187	\$ 187,787
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 72,445</u>	<u>\$ 6,238</u>	<u>\$ 44,917</u>	<u>\$ 64,187</u>	<u>\$ 187,787</u>
<b>Liabilities</b>					
Payroll liabilities	\$ 62,111	\$ -	\$ -	\$ -	\$ 62,111
<b>Fund Balance</b>					
Restricted:					
ABC	-	-	-	64,187	64,187
Economic assistance	-	6,238	-	-	6,238
Municipal roads	-	-	44,917	-	44,917
Assigned:					
Administrative	10,334	-	-	-	10,334
<b>Total Liabilities and Fund Balance</b>	<u>\$ 72,445</u>	<u>\$ 6,238</u>	<u>\$ 44,917</u>	<u>\$ 64,187</u>	<u>\$ 187,787</u>

**CITY OF BURKESVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2023**

	Payroll	LGEA Fund	Road Fund	ABC	Total Non-major Fund
<b>Revenues</b>					
Regulatory Fees	\$ -	\$ -	\$ -	\$ 71,228	\$ 71,228
Interest income	142	3	113	132	390
Intergovernmental revenues	-	4,153	31,774	-	35,927
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>142</b>	<b>4,156</b>	<b>31,887</b>	<b>71,360</b>	<b>107,545</b>
<b>Expenditures</b>					
Current:					
Administration	-	839	839	-	1,678
Public Safety	-	1,000	-	48,514	49,514
Streets	-	-	40,000	-	40,000
Capital Fund	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>1,839</b>	<b>40,839</b>	<b>48,514</b>	<b>91,192</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>142</b>	<b>2,317</b>	<b>(8,952)</b>	<b>22,846</b>	<b>16,353</b>
<b>Other Financing Sources</b>					
Transfers in (out)	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>142</b>	<b>2,317</b>	<b>(8,952)</b>	<b>22,846</b>	<b>16,353</b>
<b>Fund Balance - Beginning of Year</b>	<b>10,192</b>	<b>3,921</b>	<b>53,869</b>	<b>41,341</b>	<b>109,323</b>
<b>Fund Balance - End of Year</b>	<b>\$ 10,334</b>	<b>\$ 6,238</b>	<b>\$ 44,917</b>	<b>\$ 64,187</b>	<b>\$ 125,676</b>

**SK LEE CPAS, P.S.C.**  
*Certified Public Accountants*

208 Pauline Drive, Suite D  
Berea, Kentucky 40403  
(859) 986-3756

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**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 Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **The City's Response to Findings**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SK LEE CPAs, P.S.C.**

Berea, Kentucky  
December 7, 2023

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**MATERIAL WEAKNESS**

2023-001 Financial Statement Preparation

**Condition:**

During our audit procedures, we noted some instances of this objective not being completely achieved.

**Criteria:**

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cause:**

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

**Effect:**

Management is responsible for establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regards to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

**Recommendation:**

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

**Views of Responsible Officials:**

Management agrees with the recommendation.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2023**

**MATERIAL WEAKNESS**

2023-002 Segregation of Duties

Condition:

While conducting our audit procedures to gain an understanding of internal controls over financial reporting, we noted a lack of segregation of duties which enabled one individual access to authorize transactions, custody of assets, recording and reporting of the City's transactions in the cash receipts, cash disbursement, and payroll process.

Criteria:

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

Cause:

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

Effect:

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

Recommendation: The lack of segregation of duties is a common deficiency in City's the size of Burkesville. The City Council should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Views of Responsible Officials:

Management agrees with the recommendation.

# WATER PURCHASE CONTRACT

This Contract for the sale and purchase of water is entered into as of this the 15<sup>th</sup> day of February 2024, between the Burkesville Municipal Water Works, Burkesville, (Cumberland County), Kentucky, hereinafter referred to as the "Supplier", and the Cumberland County Water District, hereinafter referred to as "the District".

## WITNESSETH:

Whereas, the District has been organized and established under the provisions of Chapter 74 of the Kentucky Revised Statutes for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the District and to accomplish this purpose, the District will require a supply of treated water, and

Whereas, the Supplier owns and operates a water supply distribution system with capacity currently capable of serving the present customers of the city system and the estimated number of users to be served by the District as shown in the plans of the system now on file in the office of the District, and

Whereas, Supplier and the District had entered into a water purchase contract on the 15<sup>th</sup> day of February 2024, wherein Supplier agreed to supply a quantity of water not to exceed 3,000,000 gallons per month to the District at a cost laid out herein per 1,000 gallons of water used by the District.

Whereas, Supplier and the District are now desirous of modifying the rate charged by Supplier to Burkesville Municipal Water Works and hereby agree as follows:

Whereas, by Resolution 2024-2 enacted on the 15<sup>th</sup> day of February 2024, by the Burkesville Municipal Water Works, the sale of water to the District in accordance with the provisions of said resolutions was

approved, and the execution of this contract carrying out the said resolution by the Mayor, and attested by the City Clerk was duly authorized, and

Whereas, by resolution of the Board of Commissioners, of the District, enacted on the 15<sup>th</sup> day of February 2024, the purchase of water from the City in accordance with the terms set forth in said resolution was approved, and the execution of this contract by the Chairman, attested by the Secretary, was duly authorized.

Now for, an in consideration of the mutual promises, covenants and obligations herein contained on the part of all parties hereto it is hereby agreed as follows:

1. That this agreement is to constitute a modification of the water purchase contract herein above referenced, by written communication.
2. That Supplier will furnish such quantity of water as may be required by the purchaser not to exceed 1,000,000 gallons per day.
3. That the District agrees to pay to the seller, not later than the 15<sup>th</sup> day of each month for water delivery, at the rate herein agreed and equating to a 44.7% increase disbursed over three years per 1,000 gallons of water, but less than 1,000,000 gallons of water per day. This adjustment shall be implemented over a three-year period, as follows:
4. SCHEDULE OF INCREASES:

TERM:	% INCREASE:	ACTUAL RATE:
▪ Year 1	14.7% Increase	\$2.47 (+32 Cents)
▪ Year 2	15% Increase	\$2.84 (+37 Cents)
Year 3	15% Increase	\$3.26 (+42 Cents)

5. That subject costs set out in the aforementioned paragraph shall be in effect for a period of five (5) years from the date of this contract. After the five (5) years from the date of this Agreement, the Parties shall re-negotiate the price rate per

1,000 gallons. A neutral third party individual or entity agreed to by both parties will provide as to pricing rates for the parties.

6. Further, it is understood and agreed that District will exercise the utmost good faith to purchase on a monthly basis, 75% of District's total water supplied to its customers, with the understanding that some months purchase may be less than the 75% and some months may be more than the 75%. In the event Supplier deems District is not exercising its best good faith effort, then Supplier shall notify District that District has 30 days to correct subject deficiency. In the event District does not comply to Supplier's satisfaction, then Supplier shall have the right to proceed with court action to determine if District is exercising utmost good faith. Prior to initiating court action, in the event that either party believes there is a material breach of this Contract, representative(s) of all Parties shall convene in an attempt to resolve the dispute. Should court action be initiated by either party herein, the losing party shall bear all costs of the prevailing party, including reasonable attorney fees
7. In the event District fails to purchase 75% of its water supply from Supplier in any given year, as an annual average, as contemplated above, the District's purchase requirement as a percentage shall be adjusted for the immediately succeeding year to account for that deficiency. Any modification of this contract or additional obligation assumed by either party in connection with this agreement shall be binding only if evidenced in writing signed by each party or an authorized representative of each party.

IN WITNESS WHEREOF, the parties have caused this agreement executed by designated officers or officials as duly authorized by the respective legislative or managing body effective as of the date first written above.

CUMBERLAND COUNTY WATER DISTRICT

Troy D. Norton  
Chair, Cumberland Co. Water District

Attest: C.M. Hurt  
Secretary *KWP 2016*  
*Comm. Exp. 5/25/2025*

CITY OF BURKESVILLE

Paul G. Irby  
Laurel J. Irby, Mayor, City of Burkeville

Attest: Margaret Riley  
City Clerk

Prepared By:

C.M. Hurt  
Coleman M. Hurt  
Attorney At Law  
P.O. Box 414  
Burkesville, Kentucky 42717  
Phone (270) 284-1232

***ANALYSIS AND RECOMMENDATIONS  
FOR  
WHOLESALE WATER RATE***

**BURKESVILLE MUNICIPAL WATER WORKS  
*November 27, 2023***

Prepared by  
Robert K. Miller



**Kentucky Rural Water Association**

1151 Old Porter Pike • Bowling Green, KY 42101 • 270.843.2291 • [www.krwa.org](http://www.krwa.org)

## EXECUTIVE SUMMARY

Burkesville Municipal Water Works sells water to Cumberland County Water District on a wholesale basis under Water Purchase Contract signed in 2017. This contract contains the terms and conditions under which new pricing will be negotiated after five years.

Burkesville Municipal Water Works requested that Kentucky Rural Water Association perform a wholesale water rate study based upon current expenses.

The wholesale rate study is now complete. Following are the steps taken to prepare the rate model:

Step	Activity	Reference
<b>1. Trial Balance</b>	Identify accounts from Trial Balance for water only activities and for water / sewer / stormwater / gas combined activities and allocate the water portion of those account balances.	
<b>2. Summary of Operating Expenses by Category</b>	Allocate water expenses to Water Production, Transmission & Distribution, Customer Accounts, and Administrative & General Expenses.	<b>Table A</b>
<b>3. Allocation of Depreciation Expense</b>	Allocate depreciation of water system assets to Water Production, Transmission & Distribution, Customer Accounts, and Administrative & General Expenses.	<b>Table B</b>
<b>4. Debt Service Schedule</b>	Identify annual debt service and coverage for water system debt issues.	<b>Table C</b>
<b>5. Allocation of Debt Service</b>	Allocate debt service to Water Treatment, Transmission & Distribution, and Storage Tanks.	<b>Table D</b>
<b>6. System Information</b>	Identify length of mains by size for entire system and that portion of system jointly used by retail and wholesale systems and identify volume of water purchased, sold, and used.	<b>Table E</b>
<b>7. Wholesale Allocation Factors</b>	<p>Compute the following allocation factors:</p> <p><u>Production Multiplier</u>: Factor to determine quantity that must be produced to service all sales.</p> <p><u>Joint Use Pipeline Ratio</u>: Ratio of Joint Use pipes to all pipes in the system.</p> <p><u>Joint Share of Line Loss</u>: Allocation of line loss to Joint Use mains.</p> <p><u>Joint Share Line Loss + Plant Use</u>: Total percentage allocation of nonrevenue water to Joint Use.</p> <p><u>Wholesale Production Multiplier</u>: Factor to determine quantity that must be produced to service wholesale sales.</p>	<b>Table F</b>

	<p><u>Water Production Factor</u>: Water produced for wholesale customers divided by total water produced.</p> <p><u>Pipeline Transmission Factor</u>: Portion of Joint Use pipes allocated to wholesale customers.</p> <p><u>Use Factor</u>: Allocation for tank expenses and sometimes other costs where water losses and transmission system issues do not apply.</p>	
<b>8. Wholesale Rate Computation</b>	Compute wholesale rate by multiplying Operating Expenses, Depreciation Expense, and Debt Service & Coverage by specific Wholesale Allocation Factors.	<b>Table G</b>

Based upon this methodology, the computed wholesale rate is \$3.11 per thousand gallons. This represents an increase of \$0.96 per thousand gallons or 44.7% over the current rate of \$2.15.

City of Burkesville Water Department							
Water System Operating Expenses from Trial Balance							
	2022 Audited	2023 Unaudited		Adjusted	Water	Water	
Account Description	Amount	Amount	Adjustments	Amount	Allocation	Amount	Category
5110 - Salaries	275,129.98	261,213.29	(13,916.69)	261,213.29	100.0%	261,213.29	Salaries & Wages
5118 - Employer's Share of FICA	21,047.42	19,982.84	(1,064.58)	19,982.84	100.0%	19,982.84	Employee Benefits
5119 - Retirement Expense	73,112.38	68,836.93	(4,275.45)	68,836.93	100.0%	68,836.93	Employee Benefits
5120 - Unemployment Expense	219.65	441.45	221.80	441.45	100.0%	441.45	Employee Benefits
5121 - Worker's Comp Expense	6,512.90		(6,512.90)	-	100.0%	-	Employee Benefits
5122 - Medical Insurance	56,835.93	61,968.88	5,132.95	61,968.88	100.0%	61,968.88	Employee Benefits
5124 - Dues & Subscription	32,233.11	34,843.54	2,610.43	34,843.54	100.0%	34,843.54	Miscellaneous
5126 - Uniforms	8,377.12	8,012.24	(364.88)	8,012.24	100.0%	8,012.24	Miscellaneous
5128 - Legal Fees	750.00	687.50	(62.50)	687.50	100.0%	687.50	General Expenses
5130 - Utilities	50,120.61	61,899.85	11,779.24	61,899.85	100.0%	61,899.85	Purchased Power
5205 - Publication Cost	(36.00)	-	36.00	-	100.0%	-	Miscellaneous
5213 - Building Maintenance	2,007.58	1,493.00	(514.58)	1,493.00	100.0%	1,493.00	Maintenance
5225 - Travel, Training & Meal Tickets	2,625.86	1,557.51	(1,068.35)	1,557.51	100.0%	1,557.51	Miscellaneous
5230 - Water-Prov. for Bad Debt	4,090.68	-	(4,090.68)	-	100.0%	-	Miscellaneous
5235 - Telephone & Fax	2,466.41	1,470.05	(996.36)	1,470.05	100.0%	1,470.05	General Expenses
5236 - Postage & Box Rent	2,886.56	1,787.90	(1,098.66)	1,787.90	100.0%	1,787.90	Miscellaneous
5237 - Purchase and Lease of Equipment	340.60	431.01	90.41	431.01	100.0%	431.01	Trucks & Equipment
5240 - Truck Expense	3,352.92	12,706.20	9,353.28	12,706.20	100.0%	12,706.20	Trucks & Equipment
5299 - Property & Liability Insurance	18,195.60	18,635.78	440.18	18,635.78	100.0%	18,635.78	Insurance
5305 - Chemicals	78,755.15	77,139.88	(1,615.27)	77,139.88	100.0%	77,139.88	Chemicals & Chlorine
5307 - Street Repair Leaks/Rock Pile	11,944.62	2,037.42	(9,907.20)	2,037.42	100.0%	2,037.42	Maintenance
5340 - Gas & Oil	7,244.18	6,789.78	(454.40)	6,789.78	100.0%	6,789.78	Trucks & Equipment
5342 - Audit Services	3,850.00	4,155.00	305.00	4,155.00	100.0%	4,155.00	General Expenses
5343 - Drug Test Expense	356.00	347.00	(9.00)	347.00	100.0%	347.00	Miscellaneous
5350 - Repairs, Parts & Supplies	27,189.25	47,309.95	20,120.70	47,309.95	100.0%	47,309.95	Maintenance
5490 - Backhoe Expense	800.50	-	(800.50)	-	100.0%	-	Trucks & Equipment
5491 - Lab Analysis	6,880.00	10,405.62	3,525.62	10,405.62	100.0%	10,405.62	Laboratory
5493 - Return Check	787.41	117.96	(669.45)	117.96	100.0%	117.96	Miscellaneous
5496 - Office Supplies	1,330.53	393.42	(937.11)	393.42	100.0%	393.42	General Expenses
5497 - Water Tank Inspections	300.00	100.00	(200.00)	100.00	100.0%	100.00	Maintenance
5650 - Miscellaneous	2,931.76	550.75	(2,381.01)	550.75	100.0%	550.75	Miscellaneous
	702,638.71	705,314.75	2,676.04	705,314.75		705,314.75	

**Table A**  
**City of Burkesville Water Department**  
**Allocation of Water System Operating Expenses**

<b>Category</b>	<b>Account Description</b>	<b>Water Amount</b>	<b>Water Production</b>	<b>Transmission &amp; Distribution</b>	<b>Customer Accounts</b>	<b>Administrative &amp; General</b>
Chemicals & Chlorine	5305 - Chemicals	77,140	77,140	-	-	-
<b>Chemicals &amp; Chlorine Total</b>		<b>77,140</b>	<b>77,140</b>	<b>-</b>	<b>-</b>	<b>-</b>
Employee Benefits	5118 - Employer's Share of FICA	19,983	6,994	6,994	2,997	2,997
Employee Benefits	5119 - Retirement Expense	68,837	24,093	24,093	10,326	10,326
Employee Benefits	5120 - Unemployment Expense	441	155	155	66	66
Employee Benefits	5121 - Worker's Comp Expense	-	-	-	-	-
Employee Benefits	5122 - Medical Insurance	61,969	21,689	21,689	9,295	9,295
<b>Employee Benefits Total</b>		<b>151,230</b>	<b>52,931</b>	<b>52,931</b>	<b>22,685</b>	<b>22,685</b>
General Expenses	5128 - Legal Fees	688	-	-	-	688
General Expenses	5235 - Telephone & Fax	1,470	-	-	735	735
General Expenses	5342 - Audit Services	4,155	4,155	-	-	-
General Expenses	5496 - Office Supplies	393	-	-	-	393
<b>General Expenses Total</b>		<b>6,706</b>	<b>4,155</b>	<b>-</b>	<b>735</b>	<b>1,816</b>
Insurance	5299 - Property & Liability Insurance	18,636	9,318	9,318	-	-
<b>Insurance Total</b>		<b>18,636</b>	<b>9,318</b>	<b>9,318</b>	<b>-</b>	<b>-</b>
Laboratory	5491 - Lab Analysis	10,406	10,406	-	-	-
<b>Laboratory Total</b>		<b>10,406</b>	<b>10,406</b>	<b>-</b>	<b>-</b>	<b>-</b>
Maintenance	5213 - Building Maintenance	1,493	1,120	373	-	-
Maintenance	5307 - Street Repair Leaks/Rock Pile	2,037	-	2,037	-	-
Maintenance	5350 - Repairs, Parts & Supplies	47,310	11,827	35,482	-	-
Maintenance	5497 - Water Tank Inspections	100	100	-	-	-
<b>Maintenance Total</b>		<b>50,940</b>	<b>13,047</b>	<b>37,893</b>	<b>-</b>	<b>-</b>
Miscellaneous	5124 - Dues & Subscription	34,844	-	-	-	34,844
Miscellaneous	5126 - Uniforms	8,012	4,006	4,006	-	-
Miscellaneous	5205 - Publication Cost	-	-	-	-	-
Miscellaneous	5225 - Travel, Training & Meal Tickets	1,558	-	-	-	1,558
Miscellaneous	5230 - Water-Prov. for Bad Debt	-	-	-	-	-
Miscellaneous	5236 - Postage & Box Rent	1,788	-	-	1,788	-
Miscellaneous	5343 - Drug Test Expense	347	174	174	-	-
Miscellaneous	5493 - Return Check	118	-	-	118	-
Miscellaneous	5650 - Miscellaneous	551	138	138	138	138
<b>Miscellaneous Total</b>		<b>47,217</b>	<b>4,317</b>	<b>4,317</b>	<b>2,044</b>	<b>36,539</b>
Purchased Power	5130 - Utilities	61,900	61,900	-	-	-
<b>Purchased Power Total</b>		<b>61,900</b>	<b>61,900</b>	<b>-</b>	<b>-</b>	<b>-</b>
Salaries & Wages	5110 - Salaries	261,213	91,425	91,425	39,182	39,182
<b>Salaries &amp; Wages Total</b>		<b>261,213</b>	<b>91,425</b>	<b>91,425</b>	<b>39,182</b>	<b>39,182</b>
Trucks & Equipment	5237 - Purchase and Lease of Equipment	431	-	431	-	-
Trucks & Equipment	5240 - Truck Expense	12,706	-	12,706	-	-
Trucks & Equipment	5340 - Gas & Oil	6,790	-	6,790	-	-
Trucks & Equipment	5490 - Backhoe Expense	-	-	-	-	-
<b>Trucks &amp; Equipment Total</b>		<b>19,927</b>	<b>-</b>	<b>19,927</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>705,315</b>	<b>324,638</b>	<b>215,811</b>	<b>64,645</b>	<b>100,221</b>

**Table B**

**ALLOCATION OF DEPRECIATION EXPENSE  
City of Burkesville Water Department**

	Totals	Water Treatment	Transmission & Distribution	Storage Tanks	General & Administration	Customer
Source of Supply Intakes		-	-	-	-	-
Plant Structures and Improvements	958	958	-	-	-	-
Water Treatment Equipment	74,856	74,856	-	-	-	-
Distribution Reservoirs	-	-	-	-	-	-
Tank Painting	-	-	-	-	-	-
Transmission Mains	17,222	-	17,222	-	-	-
Water Line Replacement	-	-	-	-	-	-
Water Services	-	-	-	-	-	-
Meters	-	-	-	-	-	-
Fire Hydrants	-	-	-	-	-	-
Office Furniture & Equipment	-	-	-	-	-	-
Transportation Equipment	10,148	-	10,148	-	-	-
Tools & Shop Equipment	9,215	-	9,215	-	-	-
<b>Pro Forma Totals</b>	<b>112,398</b>	<b>75,814</b>	<b>36,585</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Table D**  
**ALLOCATION OF DEBT SERVICE**  
City of Burkesville Water Department

Issue	Use of Funds	Average Annual Debt Service & Coverage	Water Treatment	Transmission & Distribution	Storage Tanks
KIA F15-017	Main Replacement	40,214	-	40,214	-
KIA F209-13	Main Replacement	39,533	-	39,533	-
Kentucky Bond	Main Relocation and Upsize	105,363	-	105,363	-
<b>Totals</b>		<b>\$ 185,110</b>	<b>\$ -</b>	<b>\$ 185,110</b>	<b>\$ -</b>

**Table E**  
**SYSTEM INFORMATION**  
**City of Burkesville Water Department**

**Schedule of All Mains and Jointly Used Mains**

<u>Main Size</u>	<u>Length (feet)</u>	<u>Total System</u>		<u>Joint Use</u>	
		<u>Miles of Mains</u>	<u>Inch - Miles</u>	<u>Miles of Mains</u>	<u>Inch - Miles</u>
20		-	-	-	-
16		-	-	-	-
12		-	-	-	-
10		-	-	-	-
8		-	-	-	-
* 6	528,000	100.00	600.00	79.50	476.98
4		-	-	-	-
2		-	-		
Totals	528,000	100.00	600.00	79.50	476.98

**Water Purchased, Sold and Used**

	<u>Gallons</u> <u>x 1,000</u>	<u>Percent</u>
Water Produced	336,385,200	
Retail Sales	47,679,500	20.50%
Wholesale Sales	184,863,000	79.50%
Total Water Sold	232,542,500	
Water Used at WTP	24,575,000	7.31%
System Flushing	6,750,000	2.01%
Line Losses	72,517,700	21.56%

\* Total System and Joint Use Miles of Main are not available. Estimated length of 100 miles of 6 inch mains. Joint Use allocated based upon percentage of sales.

**Table F**  
**WHOLESALE ALLOCATION FACTORS**  
**City of Burkesville Water Department**

				<b>FACTOR</b>
Line Loss Percentage				21.6%
Plant Use Percentage				7.3%
Line Loss + Plant Use				28.9%
Joint Use Inch-miles				476.98
Total Inch-Miles				600.00
Water Sold - Wholesale				184,863,000
Water Sold - Total				232,542,500
		1		
<b>Production Multiplier</b>	-----		=	<b>1.4057</b>
		1 - 0.2886		
<i>Factor to determine quantity that must be produced to service all sales. (For each gal sold, 1.2680 gals must be produced)</i>				
		476.98		
<b>Joint Use Pipeline Ratio</b>	-----		=	<b>0.7950</b>
		600.00		
<i>Ratio of Joint Use pipes to all pipes in the system. (In-miles are used instead of miles to recognize additional first cost and maintenance for larger mains.)</i>				
<b>Joint Share of Line Loss</b>		0.2156 x 0.7950	=	<b>0.1714</b>
<i>Allocation of line loss to Joint Use mains.</i>				
<b>Joint Share Line Loss + Plant Use</b>		0.1714 + 0.0731	=	<b>0.2444</b>
<i>Total percentage allocation of non-revenue water to Joint Use.</i>				
		1		
<b>Wholesale Production Multiplier</b>	-----		=	<b>1.3235</b>
		1 - 0.2444		
<i>Factor to determine quantity that must be produced to service wholesale sales. For each gal sold to wholesale customers, 1.2058 gals must be produced.</i>				
		1.3235		
<b>Water Production Factor</b>	-----	184,863,000	x	
		1.4057		232,542,500
<i>Water produced for wholesale customers divided by total water produced. (Percentage of all water produced that is for wholesale water sales.)</i>				
		184,863,000		
<b>Pipeline Transmission Factor</b>	-----		x 0.7950	=
		232,542,500		<b>0.6320</b>
<i>Portion of Joint Use pipes allocated to wholesale customers.</i>				
			184,863,000.0	
<b>Use Factor</b>			-----	=
			232,542,500.0	<b>0.7950</b>
<i>Allocation for tank expenses and sometimes other costs where water losses and transmission system issues don't apply.</i>				

**Table G**  
**WHOLESALE RATE COMPUTATION**  
**City of Burkesville Water Department**

	<u>Total</u>	<u>Allocation Factors</u>		<u>Wholesale Allocation</u>	<u>Retail Allocation</u>
		<u>Type</u>	<u>Factor</u>		
<b>Salaries &amp; Wages</b>					
Water Production	\$ 91,425	WPF	0.7485	\$ 68,428	\$ 22,997
Trans./Distribution	91,425	PTF	0.6320	57,777	33,647
<b>Employee Benefits + Taxes</b>					
Water Production	\$ 52,931	WPF	0.7485	39,616	13,314
Trans./Distribution	52,931	PTF	0.6320	33,450	19,480
<b>Maintenance</b>					
Water Production	\$ 13,047	WPF	0.7485	9,765	3,282
Trans./Distribution	37,893	PTF	0.6320	23,947	13,946
Purchased Power	61,900	WPF	0.7485	46,329	15,570
Chemicals & Chlorine	77,140	WPF	0.7485	57,736	19,404
<b>Operating Supplies</b>					
Water Production	\$ -	WPF	0.7485	-	-
Trans./Distribution	-	PTF	0.6320	-	-
<b>Insurance</b>					
Water Production	\$ 9,318	WPF	0.7485	6,974	2,344
Trans./Distribution	9,318	PTF	0.6320	5,889	3,429
Laboratory	10,406	WPF	0.7485	7,788	2,617
<b>Trucks &amp; Equipment</b>					
Water Production	\$ -	WPF	0.7485	-	-
Trans./Distribution	19,927	PTF	0.6320	12,593	7,334
<b>Miscellaneous</b>					
Water Production	\$ 4,317	WPF	0.7485	3,231	1,086
Trans./Distribution	4,317	PTF	0.6320	2,728	1,589
<b>General Expenses</b>					
Admin & General	\$ 1,816	PTF	0.6320	1,148	668
Customer	735	-	-	-	735
<b>Total Operating Expenses</b>	<b>538,844</b>			<b>377,401</b>	<b>161,443</b>
<b>Depreciation Expense</b>					
Water Production	75,814	WPF	0.7485	56,744	19,070
Trans. / Distribution	36,585	PTF	0.6320	23,120	13,464
Storage Tanks	-	UF	0.7950	-	-
Admin & General	-	PTF	0.6320	-	-
Customer	-	-	-	-	-
<b>Debt Service &amp; Coverage</b>					
Water Production	-	WPF	0.7485	-	-
Trans. / Distribution	185,110	PTF	0.6320	116,984	68,126
Storage Tanks	-	UF	0.7950	-	-
<b>Total Revenue Required</b>	<b>836,353</b>			<b>574,249</b>	<b>262,104</b>
Wholesale Gallons Sold (x 1,000)				184,863	
<b>Computed Wholesale Rate per 1,000 Gallons</b>				<b>\$ 3.11</b>	
Current Wholesale Rate				\$ 2.15	
Difference				\$ 0.96	44.7%

\*Robert K. Miller  
Straightline Kentucky LLC  
113 North Birchwood Ave.  
Louisville, KENTUCKY 40206

\*City of Burkesville  
214 Upper St.  
Burkesville, KY 42717