

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

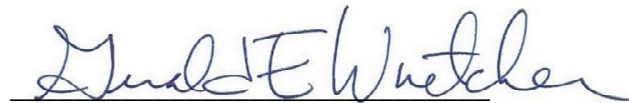
<b>ELECTRONIC TARIFF FILING OF THE CITY</b>	)	
<b>OF EDDYVILLE REVISING ITS</b>	)	<b>CASE NO.</b>
<b>WHOLESALE WATER SERVICE RATES TO</b>	)	<b>2022-00138</b>
<b>LYON COUNTY WATER DISTRICT</b>	)	

**RESPONSE OF CITY OF EDDYVILLE  
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

The City of Eddyville submits its Response to the Commission Staff's First Request for Information.

Dated: July 18, 2022

Respectfully submitted,



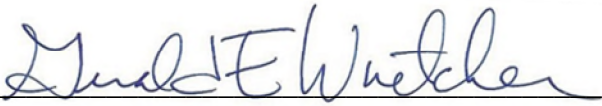
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*Counsel for City of Eddyville, Kentucky*

**CERTIFICATE OF SERVICE**

In accordance with 807 KAR 5:001, Section 8, I certify that this document was submitted electronically to the Public Service Commission on July 18, 2022 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

  
G. E. Wetcher  
*Counsel for City of Eddyville, Kentucky*

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC TARIFF FILING OF THE CITY )  
OF EDDYVILLE REVISING ITS )  
WHOLESALE WATER SERVICE RATES TO )  
LYON COUNTY WATER DISTRICT )**

**CASE NO.  
2022-00138**

**RESPONSE OF CITY OF EDDYVILLE**  
**TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

**FILED: July 18, 2022**


VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF LYON )

The undersigned, Nicole Hagan, being duly sworn, deposes and states that she is an administrative assistance in the Office of City Clerk/Treasurer of the City of Eddyville, Kentucky, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
\_\_\_\_\_  
Nicole Hagan

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18<sup>th</sup> day of July 2022.

 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires: August 14, 2024

Notary ID: 1KYNP12916



**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 1

Responding Witnesses: James Peters/Nicole Hagan

**Q-1. For the period January 1, 2019, to present, provide detailed billing records showing Eddyville's monthly billings to Lyon County Water District (Lyon District)**

A-1. See Excel Spreadsheet titled 001\_LyonCountyWaterDistrictBillingInformation\_Q1.xls embedded in this Response. A copy of this spreadsheet has also been filed separately with this Response.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 2

Responding Witnesses: James Peters/Nicole Hagan

**Q-2. Provide the information below;**

- a. Identify all entities to which Eddyville provides wholesale water service.**
- b. Provide for each customer listed above, the previous 24 months monthly water usage and the amount that Eddyville charged it for service.**

- A-2.
- a. The City of Eddyville provides wholesale water service to Lyon County Water District and the city of Fredonia. It also provides water service to the Kentucky State Penitentiary.
  - b. The City of Eddyville assesses a rate of \$4.09 per 1,000 gallons to each of its wholesale customers. It proposes to increase this rate to \$4.21 per 1,000 gallons. The volume and billed amount for each wholesale customer is shown in the tables in Attachment 2.

# ATTACHMENT 2



**SALES TO LYON COUNTY WATER DISTRICT**

<b>Month</b>	<b>Usage (Gallons)</b>	<b>Amount</b>
Jun-20	401,000	\$ 1,591.97
Jul-20	377,000	\$ 1,496.69
Aug-20	1,767,000	\$ 7,227.03
Sep-20	385,000	\$ 1,574.65
Oct-20	296,000	\$ 1,210.64
Nov-20	396,000	\$ 1,619.64
Dec-20	254,000	\$ 1,038.86
Jan-21	269,000	\$ 1,100.21
Feb-21	439,000	\$ 1,795.51
Mar-21	849,000	\$ 3,472.41
Apr-21	313,000	\$ 1,280.17
May-21	729,000	\$ 2,981.61
Jun-21	424,000	\$ 1,734.16
Jul-21	515,000	\$ 2,106.35
Aug-21	956,000	\$ 3,910.04
Sep-21	326,000	\$ 1,333.34
Oct-21	286,000	\$ 1,169.74
Nov-21	333,000	\$ 1,361.97
Dec-21	259,000	\$ 1,059.31
Jan-22	249,000	\$ 1,018.41
Feb-22	549,000	\$ 2,245.41
Mar-22	337,000	\$ 1,378.33
Apr-22	272,000	\$ 1,112.48
May-22	571,000	\$ 2,335.39

**SALES TO CITY OF FREDONIA**

<b>Month</b>	<b>Usage (Gallons)</b>	<b>Amount</b>
Jun-20	2,320,000	\$ 9,033.58
Jul-20	2,403,000	\$ 9,335.79
Aug-20	2,820,000	\$ 11,335.14
Sep-20	2,170,000	\$ 8,701.58
Oct-20	1,965,000	\$ 7,837.33
Nov-20	2,339,000	\$ 9,289.59
Dec-20	1,776,000	\$ 7,081.09
Jan-21	2,782,000	\$ 11,139.30
Feb-21	2,267,000	\$ 9,074.66
Mar-21	2,904,000	\$ 11,680.85
Apr-21	2,068,000	\$ 8,259.03
May-21	2,615,000	\$ 10,439.50
Jun-21	2,276,000	\$ 9,132.97
Jul-21	2,768,000	\$ 10,913.48
Aug-21	2,592,000	\$ 10,491.20
Sep-21	1,878,000	\$ 7,678.87
Oct-21	1,809,000	\$ 7,336.46
Nov-21	2,687,000	\$ 10,722.37
Dec-21	2,404,000	\$ 9,595.86
Jan-22	3,184,000	\$ 12,735.75
Feb-22	2,539,000	\$ 10,256.80
Mar-22	2,742,000	\$ 10,981.29
Apr-22	2,200,000	\$ 8,799.34
May-22	2,917,000	\$ 11,643.72

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 3

Responding Witness: James Peters/Legal Counsel

- Q-3. Provide a copy of the cost of service study (COSS), if any, upon which the proposed rate is based in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.**
- a. If the proposed rate is not based upon a COSS, describe how Eddyville determined the proposed wholesale rate and state who participated in the determination.**
  - b. Provide all supporting documentation for the proposed rate.**
- A-3. The proposed rate is not based upon a cost of service study. No cost of service study was prepared to develop the current or the proposed wholesale rate.**
- a. In 2015 when the city of Eddyville ("City") applied to the Kentucky Infrastructure Authority ("KIA") for a loan to finance improvements to its sewer operations, KIA performed a limited financial review of the City's finances. This analysis revealed that expenses from 2012 to 2014 were increasing at a greater rate than revenues and that cash shortfalls in the water and sewer operations were being funded with General Fund revenues. The audit report for the Fiscal Year ending June 30, 2014 showed that the City's water operations were operating with a net income of (\$14,471). To avoid the rate shock that would result from an immediate and significant increase in rates, Mayor Nancy Slaton and Water Superintendent George Crady persuaded the City Council to commit to a series of moderate increases in water and sewer rates over the next ten years. In 2016 the City Council enacted an Ordinance 2016-02-01B that provided for an across-the-board ten percent increase in water rates and a 15 percent increase in sewer rates and across-the-board three percent increases in water and sewer rates once each biennium thereafter until 2016. The City regards the Ordinance as a commitment to the KIA to ensure rates that recover the cost of service and provided adequate revenues to service the principal and interest payments on its loans. A copy of Eddyville City Ordinance 2016-02-01B and the 2014 audit report are attached as Attachments 3A-1 and 3A-2.
  - b. The City did not believe a lengthy analysis in support of the proposed increase was required. The proposed increase will increase annual revenue from sales to Lyon County Water District by only \$623. See response to Question 10. Based upon Lyon County Water District's reported purchased water expense of \$421,655 for Calendar Year 2021, the City's increase represented a total increase in Lyon County

Water District's purchased water cost of 0.148 percent or an increase of \$0.0072 per 1,000 gallons in the rates charged to Lyon County Water District's customers.

Upon the Commission's suspension of the proposed wholesale rate adjustment, the City undertook a limited analysis of its records to determine the level of revenue increase that the Commission's debt service coverage methodology would permit. This analysis is shown at Attachment 3B-1. A test period of July 1, 2020 to June 30, 2021 was used. Based upon this analysis, **an across-board increase of at least 13.23 percent is required.** (This calculation does not consider rate case expense and does not provide for any coverage requirement in addition to annual principal and interest payments on the City's outstanding loans for its water operations.) While this calculation is not as precise as that most Commission-regulated utilities provide, the City submits it is sufficient to demonstrate the reasonableness of the proposed wholesale rate given the limited amount of revenue to be generated from the proposed rate increase. The documents used to prepare this analysis are attached as Attachment 3B-2.

# ATTACHMENT 3A-1

**CITY OF EDDYVILLE, KENTUCKY  
ORDINANCE 2016-02-01B  
WATER AND SEWER RATE ORDINANCE**

**WHEREAS**, the City of Eddyville, Kentucky on June 7, 2004 passed and adopted a City Ordinance pertaining to the rates, rules and regulations of the water and sewer system of the City of Eddyville, Kentucky; and

**WHEREAS**, certain changes and modifications of said Ordinance have become necessary due to changing times; and

**WHEREAS**, the cost of providing water and sewer services for the residents of the City of Eddyville, Kentucky has increased dramatically over the past few years; and

**WHEREAS**, the City of Eddyville, Kentucky is currently in the process of rebuilding and rehabilitating our sewer system and undertaking significant maintenance and repairs to water system facilities and must establish a rate to pay for same;

**NOW THEREFORE, BE IT ORDAINED** by the City Council of the City of Eddyville, Kentucky as follows:

1. The City Ordinance Section 51.087 and Section 51.088 be amended and the specified provisions of the sections shall hereinafter read as follows:

**SECTION 51.087 RATES AND CHARGES FOR ORDINARY WATER SERVICE.**

The rates and charges for ordinary water services shall be based upon a metered rate as follows:

W-1	Single Residence in City Limits		
	Minimum Charge for 2,000 gallons	21.12	<u>\$23.23</u>
	Per 1,000 gallons above 2,000 gallons	4.57	<u>5.03</u>
W-2	Double Residence in City Limits		
	Minimum Charge for 4,000 gallons	42.24	<u>\$46.46</u>
	Per 1,000 gallons above 4,000 gallons	4.57	<u>5.03</u>
W-3	Amber Village - Four Unit		
	Minimum Charge for 8,000 gallons	84.48	<u>\$92.93</u>
	Per 1,000 gallons above 8,000 gallons	4.57	<u>5.03</u>

W-4	Amber Village - Eight Unit		
	Minimum Charge for 16,000 gallons	168.96	<u>\$185.86</u>
	Per 1,000 gallons above 16,000 gallons	4.57	<u>5.03</u>
W-5	Fredonia, Kentucky		
	Minimum Charge for 1,000 gallons	3.50	<u>\$3.85</u>
	Per 1,000 gallons above 1,000 gallons	3.50	<u>3.85</u>
W-6	Housing Project - 101 Units		
	Minimum Charge for 202,000 gallons	2,133.12	<u>\$2,346.43</u>
	Per 1,000 gallons for next 101,000 gallons	4.57	<u>5.03</u>
	Per 1,000 gallons above 303,000 gallons	4.57	<u>3.85</u>
W-7	Single Residence outside City Limits		
	Minimum Charge for 2,000 gallons	25.08	<u>\$27.59</u>
	Per 1,000 gallons above 2,000 gallons	4.57	<u>5.03</u>
W-8	Double Residence outside City Limits		
	Minimum Charge for 4,000 gallons	50.16	<u>\$55.18</u>
	Per 1,000 gallons above 4,000 gallons	4.57	<u>5.03</u>
W-9	Business inside City Limits		
	Minimum Charge for 2,000 gallons	26.40	<u>\$29.04</u>
	Per 1,000 gallons for next 16,000 gallons	4.57	<u>5.03</u>
	Per 1,000 gallons for next 80,000 gallons	4.16	<u>4.58</u>
	Per 1,000 gallons for next 100,000 gallons	3.86	<u>4.25</u>
	Per 1,000 gallons above 200,000 gallons	3.50	<u>3.85</u>
W-A	Double Business in City Limits		
	Minimum Charge for 4,000 gallons	52.80	<u>\$58.08</u>
	Per 1,000 gallons for next 16,000 gallons	4.57	<u>5.03</u>
	Per 1,000 gallons for next 80,000 gallons	4.16	<u>4.58</u>
	Per 1,000 gallons for next 100,000 gallons	3.86	<u>4.25</u>
	Per 1,000 gallons above 200,000 gallons	3.50	<u>3.85</u>
W-B	Business Outside City Limits		
	Minimum Charge for 2,000 gallons	29.70	<u>\$32.67</u>
	Per 1,000 gallons for next 16,000 gallons	4.57	<u>5.03</u>
	Per 1,000 gallons for next 80,000 gallons	4.16	<u>4.58</u>
	Per 1,000 gallons for next 100,000 gallons	3.86	<u>4.25</u>
	Per 1,000 gallons above 200,000 gallons	3.50	<u>3.85</u>
W-C	Double Business Outside City Limits		
	Minimum Charge for 4,000 gallons	59.40	<u>\$65.34</u>
	Per 1,000 gallons for next 16,000 gallons	4.57	<u>5.03</u>
	Per 1,000 gallons for next 80,000 gallons	4.16	<u>4.58</u>

W-C	Double Business Outside City Limits-continued		
	Per 1,000 gallons for next 100,000 gallons	3.86	<u>4.25</u>
	Per 1,000 gallons above 200,000 gallons	3.50	<u>3.85</u>
W-D	Eddyville Swimming Pool/West Kentucky Farm Center/Lyon County Water District		
	Minimum Charge for 1,000 gallons	3.50	<u>\$3.85</u>
	Per 1,000 gallons over 1,000 gallons	3.50	<u>3.85</u>
W-E	Churches		
	Minimum Charge for 2,000 gallons	21.12	<u>\$23.23</u>
	Per 1,000 gallons above 2,000 gallons	4.57	<u>5.03</u>
W-F	Governmental Agencies		
	Minimum Charge for 2,000 gallons	26.40	<u>\$29.04</u>
	Per 1,000 gallons for next 8,000 gallons	4.57	<u>5.03</u>
	Per 1,000 gallons for next 40,000 gallons	4.16	<u>4.58</u>
	Per 1,000 gallons for next 50,000 gallons	3.86	<u>4.25</u>
	Per 1,000 gallons above 100,000 gallons	3.50	<u>3.85</u>

Water rate increases shall occur at the rate of 3% in year 2018, year 2020, year 2022, year 2024, and year 2026. The increase shall take effect on July 1 of each year rate increase occurs.

#### Section 51.088 RATES AND CHARGES FOR SEWER SERVICE.

The rates and charges for sewer services shall be based upon water usage as follows:

S-1	Single Residence in City Limits		
	Minimum Charge for 2,000 gallons	22.44	<u>\$25.81</u>
	Per 1,000 gallons above 2,000 gallons	4.86	<u>5.59</u>
S-2	Double Residence in City Limits		
	Minimum Charge for 4,000 gallons	44.88	\$51.61
	Per 1,000 gallons above 4,000 gallons	4.86	<u>5.59</u>
S-3	Amber Village - Four Unit		
	Minimum Charge for 8,000 gallons	89.76	<u>\$103.22</u>
	Per 1,000 gallons above 8,000 gallons	4.86	<u>5.59</u>
S-4	Amber Village - Eight Unit		
	Minimum Charge for 16,000 gallons	179.52	<u>\$206.45</u>
	Per 1,000 gallons above 16,000 gallons	4.86	<u>5.59</u>



S-5	Flat Rate Charge - No Water Minimum Charge	37.40	<u>\$43.01</u>
S-6	Housing Project - 101 Units Minimum Charge for 202,000 gallons Per 1,000 gallons for next 101,000 gallons Per 1,000 gallons above 303,000 gallons	2,266.44 4.86 3.00	<u>\$2,606.41</u> <u>5.59</u> <u>3.45</u>
S-7	Single Residence outside City Limits Minimum Charge for 2,000 gallons Per 1,000 gallons above 2,000 gallons	26.65 4.86	<u>\$30.65</u> <u>5.59</u>
S-8	Double Residence outside City Limits Minimum Charge for 4,000 gallons Per 1,000 gallons above 4,000 gallons	53.30 4.86	<u>\$61.30</u> <u>5.59</u>
S-9	Business inside City Limits Minimum Charge for 2,000 gallons Per 1,000 gallons for next 8,000 gallons Per 1,000 gallons for next 40,000 gallons Per 1,000 gallons for next 50,000 gallons Per 1,000 gallons above 100,000 gallons	28.05 4.86 4.43 4.09 3.00	<u>\$32.26</u> <u>5.59</u> <u>5.09</u> <u>4.70</u> <u>3.45</u>
S-A	Double Business in City Limits Minimum Charge for 4,000 gallons Per 1,000 gallons for next 16,000 gallons Per 1,000 gallons for next 80,000 gallons Per 1,000 gallons for next 100,000 gallons Per 1,000 gallons above 200,000 gallons	56.10 4.86 4.43 4.09 3.00	<u>\$64.52</u> <u>5.59</u> <u>5.09</u> <u>4.70</u> <u>3.45</u>
S-B	Churches Minimum Charge for 2,000 gallons Per 1,000 gallons above 2,000 gallons	22.44 4.86	<u>\$25.81</u> <u>5.59</u>
S-C	Governmental Agencies Minimum Charge for 2,000 gallons Per 1,000 gallons for next 8,000 gallons Per 1,000 gallons for next 40,000 gallons Per 1,000 gallons for next 50,000 gallons Per 1,000 gallons above 100,000 gallons	28.05 4.86 4.43 4.09 3.00	<u>\$32.26</u> <u>5.59</u> <u>5.09</u> <u>4.70</u> <u>3.45</u>
S-D	City of Fredonia, Kentucky Minimum Charge for 1,000 gallons Per 1,000 gallons over 1,000	3.00 3.00	<u>\$3.45</u> <u>3.45</u>

S-E	West Kentucky Farm Center		
	Minimum Charge for 1,000 gallons	3.00	<u>\$3.45</u>
	Per 1,000 gallons over 1,000 gallons	3.00	<u>3.45</u>
S-F	Business outside City Limits		
	Minimum Charge for 1,000 gallons	<del>31.57</del>	<u>\$36.31</u>
	Per 1,000 gallons for the next 8,000 gallons	4.86	<u>5.59</u>
	Per 1,000 gallons for next 40,000 gallons	4.43	<u>5.09</u>
	Per 1,000 gallons for next 50,000 gallons	4.09	<u>4.70</u>
	Per 1,000 gallons above 100,000 gallons	3.00	<u>3.45</u>

Sewer rate increases shall occur at the rate of 3% in year 2018, year 2020, year 2022, year 2024, and year 2026. The increase shall take effect on July 1 of each year rate increase occurs.


All ordinances or portions thereof hereby inconsistent with the amendments and herein are hereby repealed. All other provisions, both within the original ordinance and any amendments, not inconsistent with this ordinance are hereby reaffirmed.

This Ordinance governing rates shall be effective March 1, 2016.

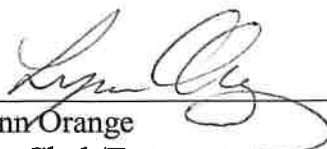
First Reading            February 1, 2016

Second Reading        February 8, 2016

Published                February 10, 2016

  
 \_\_\_\_\_  
 Nancy Slaton, Mayor  
 City of Eddyville, Kentucky

ATTEST:

  
 \_\_\_\_\_  
 Lynn Orange  
 City Clerk/Treasurer

# ATTACHMENT 3A-2

**CITY OF EDDYVILLE, KENTUCKY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**CITY OF EDDYVILLE, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor Nancy Slaton  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 35 - 36 be presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2015 on our consideration of the City of Eddyville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eddyville, Kentucky's internal control over financial reporting and compliance.



Madisonville, Kentucky  
February 2, 2015

**CITY OF EDDYVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The City of Eddyville, Kentucky ("City") offers this Management's Discussion and Analysis to provide an overview and analysis of the City's financial activities for the year ended June 30, 2014. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

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

For the fiscal year ended June 30, 2014, the City of Eddyville adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Readers should note that GASB 65 requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflow of resources, or current-period outflows and inflows.

**FINANCIAL HIGHLIGHTS**

The assets of the City exceed its liabilities by \$10,513,589 at June 30, 2014.

The City's total net position increased by \$496,606 during the year.

Fund financial statements show that fund balance, a measure of current financial resources, increased in the governmental funds by \$329,963 to a June 30, 2014 fund balance of \$2,194,518. Of that balance, \$1,812,246 is unassigned and is available to continue City operations. The remaining is nonspendable for cemetery's perpetual fund of \$30,599, nonspendable for prepaid insurance of \$13,225, restricted cemetery assets for \$29,923, federal forfeiture money assigned to public safety - police for \$15,119, and \$293,413 assigned for special revenue funds. Net position in the proprietary funds increased by \$46,781 to \$7,057,528 at June 30, 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial report includes activities of the City of Eddyville, Kentucky. The City's basic financial statements comprise three components: 1) Government-wide statements; 2) fund financial statements and 3) notes to the financial statements.

**Government-wide Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Eddyville's finances on a full accrual basis of accounting, which is similar to a private-sector business. The statement of net position presents information on all of the City's assets, liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.



Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues and government activities from the other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, community environment, leisure time activities, and public welfare. The government-wide financial statements can be found on pages 8 and 9 of this report.

### **Fund Financial Statements**

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be segregated into governmental and proprietary funds. Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities are reported as fund balance. The basic governmental fund financial statements can be found on pages 10-13 of this report. Proprietary funds handle the business-type activities of the City. Proprietary funds financial statements consist of the Statement of Net Position, Statement of Changes in Fund Net Position, and Statement of Cash Flows. Proprietary fund financial statements can be found on pages 14-16 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 17 - 34 of this report.

### **Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules as required. Required supplementary information can be found on pages 35 and 36 of this report.

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

The government-wide financial statements reports that during the year ending June 30, 2014, the City received \$403,481 in operating and capital grants. Revenue from taxes increased \$97,334 from June 30, 2013 balances to \$1,429,728. Expenses directly related to programs offered by the city decreased \$227,432 to \$2,900,907. The Statement of Activities reflects the current year increase in net position of \$496,606.

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

**CITY OF EDDYVILLE, KENTUCKY  
NET POSITION**

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Current and other assets	\$ 3,074,788	\$ 2,872,838
Noncurrent assets, net	<u>12,673,420</u>	<u>13,199,262</u>
Total Assets	<u>15,748,208</u>	<u>16,072,100</u>
<b>Liabilities:</b>		
Long-term liabilities	4,483,095	4,954,375
Other liabilities	<u>751,524</u>	<u>891,417</u>
Total Liabilities	<u>5,234,619</u>	<u>5,845,792</u>
<b>Net Position:</b>		
Net investment in capital assets	7,719,045	7,788,301
Restricted	539,795	541,999
Unrestricted	<u>2,254,749</u>	<u>1,896,008</u>
Total Net Position	<u>\$ 10,513,589</u>	<u>\$ 10,226,308</u>

**CITY OF EDDYVILLE, KENTUCKY  
CHANGES IN NET POSITION**

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,551,710	\$ 1,519,907
Grants and contributions	403,481	320,017
General revenues:		
Taxes	1,429,728	1,344,549
Other	9,339	20,759
Investment earnings	<u>3,255</u>	<u>3,962</u>
Total Revenues	<u>3,397,513</u>	<u>3,209,194</u>
<b>Expenses</b>		
General government	523,587	511,635
Public safety	532,909	494,864
Public works	473,709	670,710
Parks and recreation	7,689	7,843
Cemetery	10,147	8,326
Interest expense	16,183	17,928
Business-type activities	<u>1,336,683</u>	<u>1,417,033</u>
Total Expenses	<u>2,900,907</u>	<u>3,128,339</u>
Change in net position	496,606	80,855
Net position - beginning, restated	<u>10,016,983</u>	<u>10,145,453</u>
Net position - ending	<u>\$ 10,513,589</u>	<u>\$ 10,226,308</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated revenues to exceed expenditures by \$157,647. The budgeted revenue exceeded actual revenue received by \$2,306 in the general fund. Budgeted expenditures exceeded actual expenditures by \$100,595. The budgetary figures and actual amounts are reported in the supplementary information on page 36.

The original and final Fire Protection Fund budget passed by the city council anticipated revenues to exceed expenditures by \$17,262. The budgeted revenue exceeded actual revenue received by \$12,980 in the fire protection fund. Actual expenditures were less than budgeted expenditures by \$60,646. The budgetary figures and actual amounts are reported in the supplementary information on page 37.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City's investment in capital assets as of June 30, 2014 amounted to \$12,673,420 (net of accumulated depreciation). This investment includes land, buildings, vehicles and equipment.

	2014	2013
<b>Governmental activities:</b>		
Capital assets, not being depreciated:		
Land	\$ 8,945	\$ 8,945
Construction in progress	-	16,500
Total capital assets, not being depreciated	8,945	25,445
Capital assets, being depreciated (net):		
Infrastructure	1,076,737	983,118
Buildings and improvements	372,126	390,405
Machinery and equipment	284,295	329,548
Vehicles	93,576	79,718
Total capital assets, being depreciated (net)	1,826,734	1,782,789
Governmental activities capital assets (net)	\$ 1,835,679	\$ 1,808,234
 <b>Business-type activities:</b>		
Capital assets, not being depreciated:		
Land	\$ 55,424	\$ 55,424
Construction in progress	274,049	152,218
Total capital assets, not being depreciated	329,473	207,642
Capital assets, being depreciated (net):		
Buildings and improvements	10,323,650	10,771,702
Machinery and equipment	174,769	188,199
Vehicles	9,849	14,145
Total capital assets, being depreciated (net)	10,508,268	10,974,046
Business-type activities capital assets (net)	\$ 10,837,741	\$ 11,181,688

### **Long-term and other debt**

At the end of the current fiscal year, the City had a total outstanding debt in the governmental and proprietary funds of \$577,500 and \$4,376,875 respectively. During the next fiscal year the general fund amount due is \$91,500 and the remainder is scheduled to be paid out in 2020. Interest expense for 2014 was \$16,183. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$379,780 and the remainder is scheduled to be paid out in 2036. Interest expense paid by the proprietary funds for 2014 was \$167,055.

### **REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the City of Eddyville, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Nancy Slaton, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Assets</u></b>			
<b>Current Assets:</b>			
Cash equivalents	\$ 1,905,609	\$ 200	\$ 1,905,809
Investments	16,480	-	16,480
Accounts receivable (net):			
Taxes	147,739	-	147,739
Fees and services	-	142,933	142,933
Unbilled revenue	10,022	52,772	62,794
Other	108,783	-	108,783
Intergovernmental receivables	5,305	75,080	80,385
Inventory	-	44,294	44,294
Prepaid insurance	13,225	4,826	18,051
Restricted assets:			
Cash equivalents	37,648	479,273	516,921
Investments	30,599	-	30,599
Total current assets	<u>2,275,410</u>	<u>799,378</u>	<u>3,074,788</u>
<b>Noncurrent Assets:</b>			
Capital assets, net of accumulated depreciation	<u>1,835,679</u>	<u>10,837,741</u>	<u>12,673,420</u>
Total noncurrent assets	<u>1,835,679</u>	<u>10,837,741</u>	<u>12,673,420</u>
Total Assets	<u>4,111,089</u>	<u>11,637,119</u>	<u>15,748,208</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities:</b>			
Accounts payable	45,318	90,612	135,930
Taxes withheld and accrued	7,404	771	8,175
Meter deposits payable	-	82,658	82,658
Accrued employee benefits	23,630	16,138	39,768
Accrued interest	1,176	12,537	13,713
Long-term debt due in one year	91,500	379,780	471,280
Total current liabilities	<u>169,028</u>	<u>582,496</u>	<u>751,524</u>
<b>Non-current liabilities</b>			
Long-term debt due after one year	<u>486,000</u>	<u>3,997,095</u>	<u>4,483,095</u>
Total Liabilities	<u>655,028</u>	<u>4,579,591</u>	<u>5,234,619</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	1,258,179	6,460,866	7,719,045
Restricted for:			
Debt service	-	479,273	479,273
Cemetery fund	29,923	-	29,923
Nonspendable perpetual care	30,599	-	30,599
Unrestricted	<u>2,137,360</u>	<u>117,389</u>	<u>2,254,749</u>
Total Net Position	<u>\$ 3,456,061</u>	<u>\$ 7,057,528</u>	<u>\$10,513,589</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		Total
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
<b>Primary Government</b>						
Governmental activities						
General government	\$ 523,587	\$ 69,816	\$ 4,776	\$ -	\$ (448,995)	\$ (448,995)
Public safety	532,909	-	103,591	1,725	(427,593)	(427,593)
Public works	473,709	192,775	59,099	112,460	(109,375)	(109,375)
Cemetery maintenance	10,147	-	-	-	(10,147)	(10,147)
Parks and recreations	7,689	-	-	-	(7,689)	(7,689)
Interest on long-term debt	16,183	-	-	-	(16,183)	(16,183)
Total governmental activities	<u>1,564,224</u>	<u>262,591</u>	<u>167,466</u>	<u>114,185</u>	<u>(1,019,982)</u>	<u>(1,019,982)</u>
Business-type activities						
Water system	673,680	770,783	-	60,915	-	158,018
Sewer system	608,987	500,589	-	60,915	-	(47,483)
Park	54,016	17,747	-	-	-	(36,269)
Total business-type activities	<u>1,336,683</u>	<u>1,289,119</u>	<u>-</u>	<u>121,830</u>	<u>-</u>	<u>74,266</u>
Total Primary Government	<u>\$ 2,900,907</u>	<u>\$ 1,551,710</u>	<u>\$ 167,466</u>	<u>\$ 236,015</u>	<u>(1,019,982)</u>	<u>74,266</u>
<b>General Revenues and Transfers</b>						
Taxes						
Occupational					535,071	535,071
Property taxes					415,831	415,831
Insurance premium tax					195,195	195,195
Restaurant tax					99,503	99,503
Regulatory fees					56,985	56,985
Business license					36,695	36,695
Franchise tax					52,474	52,474
Other taxes					37,974	37,974
Miscellaneous					19,906	19,906
Cemetery					4,800	4,800
Interest income					2,697	558
Gain (loss) on sale of capital assets					(15,201)	(166)
Transfers					27,878	(27,878)
Total General Revenues and Transfers					<u>1,469,808</u>	<u>1,442,322</u>
<b>Change in Net Position</b>					<u>449,826</u>	<u>496,606</u>
<b>Net Position at Beginning of Year</b>					<u>3,058,550</u>	<u>10,226,308</u>
<b>Prior period adjustments (Note 14)</b>					<u>(52,315)</u>	<u>(209,325)</u>
<b>Net Position at End of Year</b>					<u>\$ 3,456,061</u>	<u>\$ 10,513,589</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash equivalents	\$ 1,749,566	\$ 150,926	\$ 5,117	\$ 1,905,609
Investments	-	-	16,480	16,480
Accounts Receivable:				
Taxes	143,206	-	-	143,206
Other receivables	55,956	45,433	7,394	108,783
Unbilled revenue	10,022	-	-	10,022
Intergovernmental receivable	-	-	5,305	5,305
Prepaid insurance	13,225	-	-	13,225
Due from other funds	-	71,814	-	71,814
Restricted assets:				
Cash equivalents	7,766	-	29,882	37,648
Investments	-	-	30,599	30,599
	<b><u>\$ 1,979,741</u></b>	<b><u>\$ 268,173</u></b>	<b><u>\$ 94,777</u></b>	<b><u>\$ 2,342,691</u></b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	43,676	1,642	-	45,318
Accrued payroll and related expenses	7,384	20	-	7,404
Accrued employee benefits	23,630	-	-	23,630
Due to other funds	71,814	-	-	71,814
Total Liabilities	<b><u>146,504</u></b>	<b><u>1,662</u></b>	<b><u>-</u></b>	<b><u>148,166</u></b>
 <b><u>Fund Balances</u></b>				
Nonspendable:				
Prepaid insurance	13,225	-	-	13,225
Perpetual care - Hickory Grove	-	-	30,599	30,599
Restricted for:				
Cemetery fund - Hickory Grove/Riverview	-	-	29,923	29,923
Assigned for:				
Cemetery fund - Rolling Hills	-	-	21,597	21,597
Public safety	7,766	-	7,353	15,119
Public works	-	-	5,305	5,305
Fire protection fund	-	266,511	-	266,511
Unassigned:	1,812,246	-	-	1,812,246
Total Fund Balances	<b><u>1,833,237</u></b>	<b><u>266,511</u></b>	<b><u>94,777</u></b>	<b><u>2,194,525</u></b>
 <b><u>Total Liabilities and Fund Balances</u></b>	<b><u>\$ 1,979,741</u></b>	<b><u>\$ 268,173</u></b>	<b><u>\$ 94,777</u></b>	<b><u>\$ 2,342,691</u></b>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

<b><u>Fund Balances - Total Governmental Funds</u></b>	\$ 2,194,525
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:	1,835,679
Under modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the additional property taxes receivable recognized under the accrual basis.	4,533
Accrued interest payments on debt are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet	(1,176)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	
Due within one year	(91,500)
Due after one year	<u>(486,000)</u>
<b><u>Net Position of Governmental Activities</u></b>	<b><u>\$ 3,456,061</u></b>



**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes:				
Occupational	\$ 535,071	\$ -	\$ -	\$ 535,071
Property	413,622	-	-	413,622
Insurance premiums	50,470	144,725	-	195,195
Restaurant	99,503	-	-	99,503
Regulatory Fees	-	-	56,985	56,985
Franchise	52,474	-	-	52,474
License and permits	36,695	-	-	36,695
Other	37,911	-	-	37,911
Intergovernmental	176,026	41,750	63,875	281,651
Charges for services	262,591	-	-	262,591
Miscellaneous	14,490	5,415	-	19,905
Investment income	2,156	135	406	2,697
Cemetery	-	-	4,800	4,800
<b>Total Revenues</b>	<b><u>1,681,009</u></b>	<b><u>192,025</u></b>	<b><u>126,066</u></b>	<b><u>1,999,100</u></b>
<b><u>Expenditures</u></b>				
Current:				
Public works	346,941	-	59,137	406,078
Public safety	284,974	114,082	67,253	466,309
General government	494,247	-	-	494,247
Cemetery maintenance	-	-	10,147	10,147
Debt service	106,328	-	-	106,328
Capital outlay	192,583	21,323	-	213,906
<b>Total Expenditures</b>	<b><u>1,425,073</u></b>	<b><u>135,405</u></b>	<b><u>136,537</u></b>	<b><u>1,697,015</u></b>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	<b><u>255,936</u></b>	<b><u>56,620</u></b>	<b><u>(10,471)</u></b>	<b><u>302,085</u></b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	14,862	135	17,657	32,654
Transfers (out)	-	-	(4,776)	(4,776)
<b>Total Other Financing Sources (Uses)</b>	<b><u>14,862</u></b>	<b><u>135</u></b>	<b><u>12,881</u></b>	<b><u>27,878</u></b>
<b><u>Net Change in Fund Balances</u></b>	<b><u>270,798</u></b>	<b><u>56,755</u></b>	<b><u>2,410</u></b>	<b><u>329,963</u></b>
<b><u>Fund Balances - Beginning of Year</u></b>	<b><u>1,562,432</u></b>	<b><u>209,756</u></b>	<b><u>92,367</u></b>	<b><u>1,864,555</u></b>
<b><u>Fund Balances - End of Year</u></b>	<b><u>\$ 1,833,230</u></b>	<b><u>\$ 266,511</u></b>	<b><u>\$ 94,777</u></b>	<b><u>\$ 2,194,518</u></b>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Net Change in Fund Balance - Total Governmental Funds** \$ 329,963

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

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

Expenditures for capital assets	\$ 213,906	
Less current year depreciation	<u>(171,260)</u>	42,646

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. (15,201)

Under the modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the net additional revenue associated with receivables recognized this year less the additional revenue from receivables recombined last year. 2,272

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide statement of activities. 90,000

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. 146

**Change in Net Position - Governmental Activities** **\$ 449,826**

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	Total
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Cash equivalents	\$ -	\$ -	\$ 200	\$ 200
Receivables, net				
Fees and services	91,393	51,229	311	142,933
Unbilled revenue	31,411	21,361	-	52,772
Grants	37,540	37,540	-	75,080
Inventory	38,413	5,881	-	44,294
Prepaid insurance	2,413	2,413	-	4,826
Restricted assets:				
Cash equivalents	479,273	-	-	479,273
Total Current Assets	<u>680,443</u>	<u>118,424</u>	<u>511</u>	<u>799,378</u>
<b><u>Noncurrent Assets</u></b>				
Capital assets, net of accumulated depreciation	5,862,119	4,852,767	122,855	10,837,741
Total Noncurrent Assets	<u>5,862,119</u>	<u>4,852,767</u>	<u>122,855</u>	<u>10,837,741</u>
Total Assets	<u>6,542,562</u>	<u>4,971,191</u>	<u>123,366</u>	<u>11,637,119</u>
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	47,872	41,966	774	90,612
Taxes withheld and accrued	289	289	193	771
Meter deposits payable	82,658	-	-	82,658
Accrued employee benefits	7,819	7,744	575	16,138
Accrued interest payable	2,617	9,920	-	12,537
Bond and note obligation due within one year	116,280	263,500	-	379,780
Total Current Liabilities	<u>257,535</u>	<u>323,419</u>	<u>1,542</u>	<u>582,496</u>
<b><u>Noncurrent Liabilities</u></b>				
Bond and note obligations due after one year	2,388,095	1,609,000	-	3,997,095
Total Liabilities	<u>2,645,630</u>	<u>1,932,419</u>	<u>1,542</u>	<u>4,579,591</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	3,357,744	2,980,267	122,855	6,460,866
Restricted for debt service	479,273	-	-	479,273
Unrestricted	59,915	58,505	(1,031)	117,389
Total Net Position	<u>\$ 3,896,932</u>	<u>\$ 3,038,772</u>	<u>\$ 121,824</u>	<u>\$ 7,057,528</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 770,784	\$ 500,589	\$ 17,747	\$ 1,289,120
<b><u>Operating Expenses</u></b>				
Depreciation	244,511	228,460	10,629	483,600
Salaries and wages	92,850	86,895	17,560	197,305
Utilities	65,336	81,378	6,434	153,148
Repairs and maintenance	35,582	58,372	3,946	97,900
Employee benefits	29,063	29,064	-	58,127
Insurance	28,637	20,792	2,744	52,173
Materials and supplies	38,596	2,142	7,295	48,033
Employee retirement	14,642	17,360	-	32,002
Taxes	7,336	7,774	1,603	16,713
Gasoline, oil and grease	7,151	6,035	-	13,186
Miscellaneous	4,415	1,006	871	6,292
Loan fees	2,662	2,690	-	5,352
Cost of sales	-	-	2,934	2,934
Office supplies	1,373	20	-	1,393
Professional	1,470	-	-	1,470
Total Operating Expenses	573,624	541,988	54,016	1,169,628
<b><u>Income (Loss) from Operations</u></b>	197,160	(41,399)	(36,269)	119,492
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	558	-	-	558
Gain (Loss) on sale of assets	-	-	(166)	(166)
Interest expense	(100,056)	(66,999)	-	(167,055)
Total Nonoperating Revenues (Expenses)	(99,498)	(66,999)	(166)	(166,663)
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	97,662	(108,398)	(36,435)	(47,171)
Capital contributions	60,915	60,915	-	121,830
Transfers (out)	(212,678)	-	-	(212,678)
Transfers in	-	148,990	35,810	184,800
<b><u>Change in Net Position</u></b>	(54,101)	101,507	(625)	46,781
<b><u>Net Position - Beginning of Year</u></b>	3,951,033	3,094,275	122,449	7,167,757
<b><u>Prior period adjustment (See Note 14)</u></b>	-	(157,010)	-	(157,010)
<b><u>Net Position - End of Year</u></b>	<u>\$ 3,896,932</u>	<u>\$ 3,038,772</u>	<u>\$ 121,824</u>	<u>\$ 7,057,528</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 760,982	\$ 496,108	\$ 17,932	\$ 1,275,022
Cash payments to suppliers for goods and services	(177,543)	(146,319)	(26,313)	(350,175)
Cash payments to employees for services	(131,953)	(143,284)	(20,025)	(295,262)
Net Cash Provided (Used) By Operating Activities	<u>451,486</u>	<u>206,505</u>	<u>(28,406)</u>	<u>629,585</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	-	148,990	35,810	184,800
Transfers out	(212,678)	-	-	(212,678)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(212,678)</u>	<u>148,990</u>	<u>35,810</u>	<u>(27,878)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Capital contributions	35,513	35,513	-	71,026
Principal paid on debt	(111,585)	(255,000)	-	(366,585)
Acquisition of property, plant and equipment	(62,654)	(69,760)	(7,404)	(139,818)
Interest paid on debt	(100,056)	(66,248)	-	(166,304)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(238,782)</u>	<u>(355,495)</u>	<u>(7,404)</u>	<u>(601,681)</u>
<b><u>Cash Flows from Investing Activities</u></b>				
Income received on investments	558	-	-	558
Net Cash Provided (Used) By Investing Activities	<u>558</u>	<u>-</u>	<u>-</u>	<u>558</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	584	-	-	584
<b><u>Cash and Cash Equivalents - Beginning of Year</u></b>	478,689	-	200	478,889
<b><u>Cash and Cash Equivalents - End of Year</u></b>	<u>\$ 479,273</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 479,473</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u></b>				
Operating income (loss)	\$ 197,160	\$ (41,399)	\$ (36,269)	\$ 119,492
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	244,511	228,460	10,629	483,600
Change in assets and liabilities				
Decrease (increase) in accounts receivable	(9,802)	(4,481)	185	(14,098)
Decrease (increase) in prepayments	(102)	(102)	-	(204)
Decrease (increase) in inventory	(7,409)	(873)	-	(8,282)
Increase (decrease) in accounts payable	30,519	27,091	(2,105)	55,505
Increase (decrease) in accrued payroll and taxes	(3,391)	(2,191)	(846)	(6,428)
Net Cash Provided (Used) by Operating Activities	<u>\$ 451,486</u>	<u>\$ 206,505</u>	<u>\$ (28,406)</u>	<u>\$ 629,585</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current Assets - Cash	\$ -	\$ -	\$ 200	\$ 200
Restricted Assets - Cash	479,273	-	-	479,273
Total Cash	<u>\$ 479,273</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 479,473</u>
<b><u>Non-Cash Investing, Capital and Related Financing Activities - none</u></b>				

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eddyville, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), public works (highway and streets), water distribution, wastewater treatment, cemetery maintenance, and community pool and park.

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

**A. The Financial Reporting Entity**

The City of Eddyville, Kentucky operates under a Mayor/Council form of government. The City Council consists of six members elected at large by the citizens on a non-partisan basis. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City.

**B. Basis of Presentation**

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

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

**Fund Financial Statements**

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

***GOVERNMENTAL FUNDS***

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

**General Fund**

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

**Fire Protection Fund**

The Fire Protection Fund is used to account for the provision of fire protection services to the residents of the City. Revenues consist of insurance premium taxes assigned to this fund.

***PROPRIETARY FUNDS***

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

**Water Fund**

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

**Sewer Fund**

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

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

**D. Budgets**

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

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



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the original adopted budget for year ended June 30, 2014.

**E. Cash and Investments**

For the purpose of the statement of net position, "cash equivalents" includes all demand and savings accounts of the City. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit, or short-term investments with an original maturity of three months or less.

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

**F. Receivables**

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

**G. Allowance for Uncollectible Accounts**

The City elects to not recognize an allowance for uncollectible accounts. Bad debts are removed utilizing the direct write-off method.

**H. Inventory**

Material and supplies inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. The cost is recorded as an asset at the time of purchase and as expenditures when used (consumption method).

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

**J. Restricted Assets**

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	12-50 years
Utility Plant	30-33 years
Machinery and Equipment	3-10 years

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

**L. Postemployment Benefits**

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

**M. Compensated Absences**

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation and personal time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacations, sick and other leave benefits that meet the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences attributable to employees' services already rendered
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year. Vacation leave is eligible as follows:

- a. 1st year - days granted equals the number of months the employee has worked during the previous calendar year times 83%.
- b. 2nd year through 10th year - 10 days
- c. 11th year and above - 15 days.

Employees are urged to take their annual leave each year. However, for leave that is not taken during the year, employees will be paid in December for up to 10 days. Vacation rights are vested after satisfactory completion of the first six months of employment. Only full time employees are eligible for vacation benefits. When an employee gives a proper notice of two weeks all accrued annual vacation leave shall be paid at the employee's current rate of pay.

Each full time employee is granted personal leave credit at the rate of one working day per month. Any personal days granted and unused in excess of 24 total days may be exchanged at the end of the calendar year at the rate of the employee's current rate of hourly pay. There is no limit to the number of personal leave days an employee may accrue. However, the exchange for year-end pay shall be based on the current year and in no case shall be more than 12

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

personal days per year to be exchanged for payment.

**N. Long-Term Debt**

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

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

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

**O. Bond Premiums, Discounts and Issuance Costs**

Bond premiums and discounts are deferred and charged as nonoperating expense over the terms of the related issues. Issuance costs are reported as expenses effective for the period ending June 30, 2014.

**P. Interfund Transactions**

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

**Q. Estimates**

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

**R. Net Position**

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

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

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

**S. Adoption of New Accounting Pronouncements**

**GASB Statement No. 65**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows. See Note 14 for the restatements made by the City to reduce fund balance by the remaining unamortized loan costs on the Statement of Net Position.

**GASB Statement No. 66**

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement is intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

*GASB Statement No. 67*

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, was issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement is intended to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City's management has not yet determined the effect this statement will have on the financial statements.

**Recent Accounting Pronouncements**

As of June 30, 2014, the GASB has issued the following statements not yet required to be adopted by the City.

*GASB Statement No. 68*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Beginning July 1, 2015, each participating entity in the Kentucky County Employees Retirement System (CERS) will report its proportionate share of the cumulative "net position liability" in their own accrual accounting-based financial statements. The net pension liability is defined as the difference between the current value of long-term benefits promised and the value of currently held assets. Further, each agency will be required to report the plan's total liability, net pension, covered-employee payroll, and ratio of net pension liability to payroll.

The City is currently evaluating the effects of this statement on its financial statements. The Kentucky League of Cities (KLC) prepared estimates of the financial statement impact for all cities participating in CERS. KLC estimated that the City of Eddyville's unfunded liability would be approximately \$1,165,712, based on the 2011 actuarial analysis. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

*GASB Statement No. 69*

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued January 2013. The provisions of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City's management has not yet determined the effect this statement will have on the financial statements.

*GASB Statement No. 70*

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued April 2013. The provisions of this Statement are effective for periods

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

beginning after June 15, 2013. This Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange guarantees and by those governments that receive nonexchange guarantees. The City's management has not yet determined the effect this statement will have on the financial statements.

**GASB Statement No. 71**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, was issued November 2013. The provisions of this Statement are effective for periods beginning after June 15, 2014 and should be implemented in conjunction with GASB Statement No. 68. This Statement will improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning the transition provision related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The City's management has not yet determined the effect this statement will have on the financial statements.

**T. Subsequent Events**

The City has evaluated subsequent events through February 2, 2015, the date which the financial statements were available to be issued

**2. LEGAL COMPLIANCE**

**Deficit Fund Balances/Net Position**

No funds had a deficit fund balance or deficit net position during the fiscal year ending June 30, 2014.

**3. DEPOSITS AND INVESTMENTS**

**A. Statement of Net Position Cash Presentation**

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

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 1,000	\$ 1,904,809	\$ -	\$ 1,905,809
Investments	-	16,480	-	16,480
Restricted assets:				
Cash equivalents	-	516,921	-	516,921
Investments	-	30,599	-	30,599
Total	<u>\$ 1,000</u>	<u>\$ 2,468,809</u>	<u>\$ -</u>	<u>\$ 2,469,809</u>

**B. Deposits**

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$2,469,809 the bank balance was \$2,519,052. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$500,000 was covered by federal depository insurance and \$2,019,052 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

**C. Investments**

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

deposits in national or state chartered banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury, agencies, and instrumentalities.

*Interest Rate Risk*

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

*Credit Risk and Custodial Risk*

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

*Concentrations of Credit Risk*

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

*Identification*

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit:		
Cemetery Fund - Rolling Hills Branch Banking & Trust	10/5/2014	\$ 8,480
Branch Banking & Trust	6/3/2015	8,000
Cemetery Trust - Hickory Grove Branch Banking & Trust	12/20/2015	19,812
Fredonia Valley Bank	8/5/2015	<u>10,787</u>
Total Investments		<u>\$ 47,079</u>

**4. PROPERTY TAX**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Lyon County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Lyon County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2014, taxes were levied on October 31, 2013 and payable on December 1, 2013. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.341 per \$100 of assessed valuation of real property, and \$0.579 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**5. RESTRICTED NET ASSETS**

A portion of the net position of the Water Proprietary Fund is reserved for debt service. The reserved portion is calculated as follows:

<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	\$ 165,940
Bond reserve funds	313,333
Total	<u>\$ 479,273</u>

**6. CAPITAL ASSETS**

**Governmental Activities**

A summary of capital assets at June 30, 2014 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,945	\$ -	\$ -	\$ 8,945
Construction in progress	16,500	139,649	(156,149)	-
Total nondepreciable capital assets	25,445	139,649	(156,149)	8,945
Capital assets being depreciated:				
Infrastructure	1,298,049	156,149	-	1,454,198
Buildings and improvements	593,068	-	-	593,068
Machinery and equipment	1,227,493	41,401	(45,499)	1,223,395
Vehicles	204,375	32,856	(19,987)	217,244
Total depreciable capital assets	3,322,985	230,406	(65,486)	3,487,905
Less accumulated depreciation for:				
Infrastructure	(314,930)	(62,530)	-	(377,460)
Buildings and improvements	(202,663)	(18,279)	-	(220,942)
Machinery and equipment	(897,946)	(71,453)	30,298	(939,101)
Vehicles	(124,657)	(18,998)	19,987	(123,668)
Total accumulated depreciation	(1,540,196)	(171,260)	50,285	(1,661,171)
Total depreciable capital assets, net	1,782,789	59,146	(15,201)	1,826,734
Governmental activities capital assets, net	\$ 1,808,234	\$ 198,795	\$ (171,350)	\$ 1,835,679

**Business-type Activities**

A summary of capital assets at June 30, 2014 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 55,424	\$ -	\$ -	\$ 55,424
Construction in progress	152,218	121,831	-	274,049
Total non depreciable capital assets	207,642	121,831	-	329,473
Capital assets being depreciated:				
Plant and facilities	18,402,082	1,700	-	18,403,782
Vehicles	50,402	-	-	50,402
Machinery and equipment	541,230	16,288	(6,117)	551,401
Total depreciable capital assets	18,993,714	17,988	(6,117)	19,005,585
Less accumulated depreciation for:				
Plant and facilities	(7,630,380)	(449,752)	-	(8,080,132)
Vehicles	(36,257)	(4,296)	-	(40,553)
Machinery and equipment	(353,031)	(29,552)	5,951	(376,632)
Total accumulated depreciation	(8,019,668)	(483,600)	5,951	(8,497,317)
Total depreciable capital assets, net	10,974,046	(465,612)	(166)	10,508,268
Business-type activities capital assets, net	\$ 11,181,688	\$ (343,781)	\$ (166)	\$ 10,837,741



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 66,600
General government	29,340
Public works	67,631
Parks and recreation	<u>7,689</u>
Total depreciation expense - governmental activities	<u>\$ 171,260</u>
Business-type activities:	
Water	\$ 244,511
Sewer	228,460
Park	<u>10,629</u>
Total depreciation expense - business type activities	<u>\$ 483,600</u>

**7. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2014. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

**8. LONG-TERM DEBT**

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

*Governmental Activities*

As of June 30, 2014, the governmental long-term debt consisted of the following:

Current portion bond obligation	\$ 91,500
Noncurrent portion bond obligations	<u>486,000</u>
Total bond obligations	<u>\$ 577,500</u>

*Business-Type Activities*

As of June 30, 2014, the leases, notes and bonds payable from proprietary fund resources consisted of the following:

Current portion proprietary leases, notes and bonds:	
Lease obligations	\$ 50,000
Note obligations	74,780
Bond obligations	<u>255,000</u>
Total current portion	<u>379,780</u>
Noncurrent portion general obligation leases and notes:	
Lease obligations	475,000
Note obligations	935,595
Bond obligations	<u>2,586,500</u>
Total noncurrent portion	<u>3,997,095</u>
Total Proprietary Lease, Note and Bond Obligations	<u>\$ 4,376,875</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

*General Bond Obligation*

General Obligation Refunding Bonds, Series 2011 - On January 6, 2011, the City issued General Obligation Refunding Bonds, Series 2011 to refund existing debt for both the general fund and the sewer fund. The bond issue calls for semiannual interest payments at interest rates ranging from 2% to 3% and varying annual principal payments with the final payment due in 2020. The issue is backed by the full faith and credit of the City. The bonds were issued in the amount of \$2,850,000, of which \$855,000 was considered general fund debt and \$1,995,000 was considered sewer fund debt. The principal balance of the general fund portion of the bond obligations at June 30, 2014, was \$577,500 of which \$91,500 is due in one year.

*Proprietary Leases*

KADD2003-048D - The City entered into a leasing agreement on April 1, 2003, with the Kentucky Area Development Districts Funding Trust to finance sewer improvement projects at interest rates ranging from 2% to 5.25% per annum. Semi-annual payments including principal and interest began November 20, 2003, and the final payment is due April 20, 2023. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2014 was \$525,000 of which \$50,000 is due in one year.

*Proprietary Notes Payable*

Kentucky Infrastructure Authority (KIA) Fund F Loan - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2014 was \$1,010,375 of which \$74,780 is due in one year.

*Proprietary Revenue Bonds Payable*

City of Eddyville Revenue Bonds - Series A - The City issued these bonds in 1997 to finance water plant improvements. The entire issue was acquired by the United States Department of Agriculture - Rural Development. The bond issue calls for semi-annual interest payments at 4.5% per annum and varying annual principal payments with the final payment due in 2036. The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the water system and additionally secured by a statutory lien on the water system. The principal balance of June 30, 2014 is \$1,188,000 of which \$33,000 is due in one year.

City of Eddyville Revenue Bonds - Series B - The City issued these bonds in 1997 to assist in financing water plant improvements. The entire issue was acquired by the United States Department of Agriculture - Rural Development. The bond issue calls for semi-annual interest payments at 4.5% per annum and varying annual principal payments with the final payment due in 2036. The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the water system and additionally secured by a statutory lien on the water system. The principal balance at June 30, 2014 was \$306,000 of which \$8,500 is due in one year.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

General Obligation Refunding Bonds, Series 2011 - On January 6, 2011, the City issued General Obligation Refunding Bonds, Series 2011 to refund existing debt for both the general fund and the sewer fund. The bond issue calls for semiannual interest payments at interest rates ranging from 2% to 3% and varying annual principal payments with the final payment due in 2020. The issue is backed by the full faith and credit of the City. The bonds were issued in the amount of \$2,850,000, of which \$855,000 was considered general fund debt and \$1,995,000 was considered sewer fund debt. The principal balance of the sewer fund portion of the bond obligations at June 30, 2014, was \$1,347,500 of which \$213,500 is due in one year.

**9. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

A summary of changes in government-wide activities debt for the year ended June 30, 2014 follows:

	<u>Balance June 30, 2013</u>	<u>Issuance/ Additions</u>	<u>Retirement/ Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due in One Year</u>
<i><u>Governmental Activities</u></i>					
Bonds payable:					
Refunding Bonds, Series 2011	\$ 667,500	\$ -	\$ (90,000)	\$ 577,500	\$ 91,500
Total Governmental Activities	<u>667,500</u>	<u>-</u>	<u>(90,000)</u>	<u>577,500</u>	<u>91,500</u>
<i><u>Business Type Activities</u></i>					
Leases payable:					
KADD200B-0048D Issue	\$ 570,000	\$ -	\$ (45,000)	\$ 525,000	\$ 50,000
Notes Payable					
KIA Fund F Loan	1,082,961	-	(72,586)	1,010,375	74,780
Bonds Payable:					
Revenue Bonds-Series A	1,219,000	-	(31,000)	1,188,000	33,000
Revenue Bonds-Series B	314,000	-	(8,000)	306,000	8,500
Refunding Bonds, Series 2011	<u>1,557,500</u>	<u>-</u>	<u>(210,000)</u>	<u>1,347,500</u>	<u>213,500</u>
Total Business-Type Activities	<u>4,743,461</u>	<u>-</u>	<u>(366,586)</u>	<u>4,376,875</u>	<u>379,780</u>
Total Primary Government	<u>\$ 5,410,961</u>	<u>\$ -</u>	<u>\$ (456,586)</u>	<u>\$ 4,954,375</u>	<u>\$ 471,280</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2014, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 471,280	\$ 176,627	\$ 647,907
2016	479,541	163,636	643,177
2017	489,869	150,425	640,294
2018	508,268	136,107	644,375
2019	523,239	119,557	642,796
2020-2024	1,341,464	377,361	1,718,825
2025-2029	501,714	197,346	699,060
2030-2034	435,500	106,358	541,858
2035-2036	<u>203,500</u>	<u>13,838</u>	<u>217,338</u>
Total	<u>\$ 4,954,375</u>	<u>\$ 1,441,255</u>	<u>\$ 6,395,630</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**10. LITIGATION AND CONTINGENCIES**

**Litigation**

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

**Contingencies**

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2014 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

**11. COMMITMENTS**

Kentucky Law Enforcement Foundation Program (KLEFP) funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualifications.

The City entered into a three (3) year contract with Madisonville Disposal, LLC (Contractor) effective July 1, 2010. The City contracts Madisonville Disposal, LLC exclusively to provide collection and disposal of all garbage generated by residential and commercial customers in the incorporated areas of the City of Eddyville. In April 2014 Madisonville Disposal ceased operations.

The City entered into a 180 day contract with Freedom Waste Service, LLC (Contractor) beginning April 14, 2014. The City is responsible for billing and collection fees. Amounts collected for services, less a 10% franchise fee and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly.

**12. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES**

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

Primary government operating transfers at June 30, 2014 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<b><u>General Fund</u></b>	\$ -	\$ 74,036	\$ (74,036)
<b><u>Special Revenue Funds</u></b>			
Municipal Aid	59,137	-	59,137
Fire Protection	-	135	(135)
Coal Impact	4,776	-	4,776
Alcohol Beverage Fund	-	17,620	(17,620)
<b><u>Business-type funds</u></b>			
Water Fund	212,678	-	212,678
Sewer Fund	-	148,990	(148,990)
Park Board	-	35,810	(35,810)
Total	<u>\$ 276,591</u>	<u>\$ 276,591</u>	<u>\$ -</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**13. PENSION PLAN**

**County Employees' Retirement System**

**Plan Description and Provisions:**

The City is a participant in the County Employees' Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. CERS provides 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 are provided at the discretion of the State legislature. Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 564-4646.

**Funding Policy:**

Hazardous position employees are required to contribute 8% to the plan and nonhazardous position employees are required to contribute 5% of their creditable compensation by State statute. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account. The City is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. For the years ended June 30, 2014, 2013 and 2012, the City contributed 35.70%, 37.60%, and 35.76%, respectively, of each hazardous employee's creditable compensation and 18.89%, 19.55, and 18.96%, respectively, of each nonhazardous employee's creditable compensation. These actuarially determined rates are set by the Board of Trustees of Kentucky Retirement Systems.

Schedule of Employer Contributions:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contribution</u>
June 30, 2014	\$ 130,273	\$ 130,273	100%
June 30, 2013	102,987	102,987	100%
June 30, 2012	105,012	105,012	100%

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 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. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

**Postretirement Healthcare Benefits:**

In addition to the pension benefits described above, the Kentucky Retirement System (KRS)

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

provides postretirement healthcare benefits, in accordance with Kentucky Revised Statutes. The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). The Fund and members receiving benefits pay prescribed portions of the aggregate premiums paid by the Fund. For the year ended June 30, 2014, insurance premiums withheld from benefit payments to members of the CERS approximated \$24,206,307 non-hazardous and \$1,936,349 hazardous. As of June 30, 2014, the fund had 104,635 retirees and beneficiaries for whom benefits were available. The allocation of insurance premiums paid by the Fund and the amounts withheld from member benefits is based on years of service with the Systems.

For members participating prior to July 1, 2003, years of service and respective percentage of the maximum contribution are as follows:

<b><u>Service Period</u></b>	<b><u>% Paid by Insurance Fund</u></b>
20 or more years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participant on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, nonhazardous 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 who participation began on, or after, July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index (CPI) for all urban consumers. This benefit is not protected under the inviolable contract provision of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20 year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within 20 years. The increases commenced with the 1997 valuation used by the Kentucky General Assembly to establish employer contribution rates for the biennium.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**14. PRIOR PERIOD ADJUSTMENT**

The June 30, 2014 fund balance has been restated for the following change in accounting principal implementing GASB 65:

**GASB Statement No. 65** - GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows.

The implementation of GASB 65 resulted in a reduction of beginning sewer fund balance by \$157,010. In the past, loan cost were amortized over the life of the loan. With the implementation of GASB 65, loan cost are expensed in the period in which they occur.

**Sewer Proprietary Fund**

Net Position June 30, 2013	\$ 3,094,274
Cumulative effect of implementing GASB 65	<u>(157,010)</u>
Net Position June 30, 2014 (restated)	<u>\$ 2,937,264</u>

**Governmental Activities**

Net Position June 30, 2013	\$ 3,058,550
Cumulative effect of implementing GASB 65	<u>(52,315)</u>
Net Position June 30, 2014 (restated)	<u>\$ 3,006,235</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original</u> <u>Budgeted</u>	<u>Final</u> <u>Budgeted</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 524,000	\$ 524,000	\$ 535,071	\$ 11,071
Property	542,333	542,333	413,622	(128,711)
Insurance premiums	51,000	51,000	50,470	(530)
Restaurant	80,000	80,000	99,503	19,503
Franchise	45,068	45,068	52,474	7,406
Other	33,100	33,100	37,911	4,811
Charges for services	96,000	96,000	262,591	166,591
License and permits	30,300	30,300	36,695	6,395
Intergovernmental	264,614	264,614	176,026	(88,588)
Miscellaneous	13,400	13,400	14,490	1,090
Interest income	3,500	3,500	2,156	(1,344)
Total revenues	<u>1,683,315</u>	<u>1,683,315</u>	<u>1,681,009</u>	<u>(2,306)</u>
<b><u>Expenditures</u></b>				
General government	465,398	465,398	494,247	(28,849)
Public safety	359,354	359,354	284,974	74,380
Public works	402,783	402,783	346,941	55,842
Debt service	106,328	106,328	106,328	-
Capital outlay	191,805	191,805	192,583	(778)
Total expenditures	<u>1,525,668</u>	<u>1,525,668</u>	<u>1,425,073</u>	<u>100,595</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>	<u>157,647</u>	<u>157,647</u>	<u>255,936</u>	<u>98,289</u>
<b><u>Expenditures</u></b>				
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in(out)	<u>(157,647)</u>	<u>(157,647)</u>	<u>14,862</u>	<u>172,509</u>
Total other financing sources (uses)	<u>(157,647)</u>	<u>(157,647)</u>	<u>14,862</u>	<u>172,509</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>270,798</u>	<u>\$ 270,798</u>
<b><u>Fund Balances - Beginning of Year</u></b>			<u>1,562,432</u>	
<b><u>Fund Balances - End of Year</u></b>			<u>\$ 1,833,230</u>	



**CITY OF EDDYVILLE, KENTUCKY**  
**FIRE PROTECTION SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budgeted	Final Budgeted	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Insurance license tax	\$ 130,000	\$ 130,000	\$ 144,725	\$ 14,725
Intergovernmental	75,005	75,005	41,750	(33,255)
Miscellaneous	-	-	5,415	5,415
Investment income	-	-	135	135
Total revenues	205,005	205,005	192,025	(12,980)
<b><u>Expenditures</u></b>				
Public safety	95,373	95,373	114,082	(18,709)
Capital outlay	100,678	100,678	21,323	79,355
Total expenditures	196,051	196,051	135,405	60,646
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	8,954	8,954	56,620	47,666
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from the sale of assets	8,308	8,308	-	(8,308)
Transfers in	(17,262)	(17,262)	135	17,397
<b><u>Net Change in Fund Balances</u></b>	\$ -	\$ -	56,755	\$ 56,755
<b><u>Fund Balances - Beginning of Year</u></b>			209,756	
<b><u>Fund Balances - End of Year</u></b>			\$ 266,511	

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Special Revenue Funds			Permanent Fund	Total Non-Major Governmental Funds
	Municipal Aid	Coal Impact	Alcohol Beverage Fund	Cemetery Fund	Cemetery Perpetual Care
<b>Assets</b>					
Cash equivalents	\$ -	\$ -	\$ -	\$ 5,117	\$ -
Investments	-	-	-	16,480	-
Receivables	-	-	7,353	-	41
Intergovernmental receivables	5,305	-	-	-	-
Restricted assets:					
Cash equivalents	-	-	-	4,785	25,097
Investments	-	-	-	-	30,599
<b>Total Assets</b>	<b>\$ 5,305</b>	<b>\$ -</b>	<b>\$ 7,353</b>	<b>\$ 26,382</b>	<b>\$ 55,737</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>					
Nonspendable:					
Perpetual care - Hickory Grove	-	-	-	-	30,599
Restricted for:					
Cemetery fund - Hickory Grove/Riverview	-	-	-	4,785	25,138
Assigned for:					
Cemetery fund - Rolling Hills	-	-	-	21,597	-
Public safety	-	-	7,353	-	-
Public works	5,305	-	-	-	-
Total Fund Balances	5,305	-	7,353	26,382	55,737
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,305</b>	<b>\$ -</b>	<b>\$ 7,353</b>	<b>\$ 26,382</b>	<b>\$ 55,737</b>
					<b>\$ 94,777</b>

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Special Revenue Funds				Permanent Fund	Total Other Governmental Funds
	Municipal Aid	Coal Impact	Alcohol Beverage Fund	Cemetery Fund		
<b>Revenues</b>						
Regulatory Fee	\$ -	\$ -	\$ 56,985	\$ -	\$ -	\$ 56,985
Intergovernmental	59,099	4,776	-	-	-	63,875
Cemetery	-	-	-	4,800	-	4,800
Interest income	-	-	-	150	-	406
Total Revenues	59,099	4,776	56,985	4,950	256	126,066
<b>Expenditures</b>						
Public works	59,137	-	-	-	-	59,137
Cemetery maintenance	-	-	-	10,111	36	10,147
Public safety	-	-	67,253	-	-	67,253
Total Expenditures	59,137	-	67,253	10,111	36	136,537
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(38)	4,776	(10,268)	(5,161)	220	(10,471)
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-	-	17,620	-	-	17,657
Operating transfers (out)	-	(4,776)	-	-	-	(4,776)
<b>Net Change in Fund Balances</b>	(38)	-	7,352	(5,161)	257	2,410
<b>Fund Balances - Beginning of Year</b>	5,343	-	-	31,544	55,480	92,367
<b>Fund Balances - End of Year</b>	5,305	-	7,352	26,383	55,737	94,777

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

Honorable Mayor Nancy Slaton  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eddyville, Kentucky as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Eddyville, Kentucky's basic financial statements, and have issued our report thereon dated February 2, 2015.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency*, 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. Given these limitations, during our audit we not not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Items 2014-1).

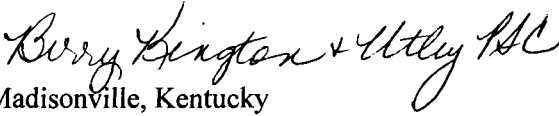
### **Compliance and Other Matters**

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

We also noted certain matters that we reported to management of the City of Eddyville, Kentucky, in a separate letter dated February 2, 2015.

### **Purpose of this Report**

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

  
Madisonville, Kentucky  
February 2, 2015

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**2014-1: Segregation of Duties**

**Criteria**

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

**Condition**

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

**Cause**

Lack of personnel

**Effect**

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

**Recommendation**

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

**Management Response**

We concur with the finding.

# ATTACHMENT 3B-1

**SCHEDULE OF ADJUSTED OPERATIONS – CITY OF EDDYVILLE WATER OPERATIONS**

TYE 06/30/2021

	<b>Test Year</b>	<b>Adjustment</b>	<b>Ref.</b>	<b>Pro Forma</b>
<b>Operating Revenues</b>				
Sales of Water	813,454.00			813,454.00
<b>Total Operating Revenues</b>	813,454.00			813,454.00
<b>Operating Expenses</b>				
Operation and Maintenance Expenses				
Salaries and Wages	85,778.00			85,778.00
Employee Pensions and Benefits	56,921.00			56,921.00
Repairs and Maintenance	119,029.00			119,029.00
Utilities	74,725.00			74,725.00
Materials and Supplies	38,189.00			38,189.00
Gasoline, Oil and Grease	5,522.00			5,522.00
Office Supplies	6,960.00			6,960.00
Insurance	32,151.00			32,151.00
Loan Fees	999.00			999.00
Miscellaneous Expenses	10421.00			10421.00
Total Operation and Maintenance Expenses	430,695.00			430,695.00
Depreciation Expense	260,298.00			260,298.00
Taxes Other than Income	6,545.00			6,545.00
<b>Total Operating Expenses</b>	697,538.00	0.00		697,538.00
<b>Utility Operating Income</b>	115,916.00	0.00		115,916.00



**DEBT SERVICE PAYMENTS/COVERAGE**  
**(Assumes 20 Percent Coverage Requirement)**

Year	KIA C18-005		BB&T Lease		Annual Payment
	Principal	Interest	Principal	Interest	
2022	\$ 93,242	\$ 8,159	\$109,731	\$14,962	\$226,095
2023	95,351	6,050	112,436	12,257	226,095
2024	97,509	3,892	115,208	9,486	226,095
Total:	\$286,102	\$18,101	\$337,375	\$36,705	\$678,285
Average:	\$ 95,367	\$ 6,034	\$112,458	\$12,235	<b>\$226,095</b>
Coverage:					<b>\$ 45,219</b>

**REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD**  
**(Assumes 20 Percent Coverage Requirement)**

Pro forma Operating Expenses	\$697,538
Plus: Average Annual Debt Principal and Interest Payment	\$226,095
Debt Coverage Requirement	\$ 45,219
Total Revenue Requirement	\$968,852
Less: Other Operating Revenue	\$ 0
Non-Operating Revenue	\$ 2,554
Interest Income	\$ - 0
Revenue Required from Rates	\$966,298
Less: Revenue from Sales at Present Rates	\$813,454
Required Revenue Increase	\$152,844
<b>Required Revenue Increase stated as a Percentage of Revenue at Present Rates</b>	<b>18.79</b>

**REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD**  
**(Assumes No Coverage Requirement)**

Pro forma Operating Expenses	\$697,538
Plus: Average Annual Debt Principal and Interest Payment	\$226,095
Debt Coverage Requirement	\$ 0
Total Revenue Requirement	\$923,633
Less: Other Operating Revenue	\$ 0
Non-Operating Revenue	\$ 2,554
Interest Income	\$ - 0
Revenue Required from Rates	\$921,079
Less: Revenue from Sales at Present Rates	\$813,454
Required Revenue Increase	\$107,625
<b>Required Revenue Increase stated as a Percentage of Revenue at Present Rates</b>	<b>13.23</b>

# ATTACHMENT 3B-2

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

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 813,454	\$ 565,398	\$ 225	\$ 1,379,077
Total Operating Revenues	<u>813,454</u>	<u>565,398</u>	<u>225</u>	<u>1,379,077</u>
<b><u>Operating Expenses</u></b>				
Depreciation	260,298	229,590	18,125	508,013
Repairs and maintenance	119,029	71,149	7,795	197,973
Employee benefits	56,921	55,115	-	112,036
Utilities	74,725	102,822	3,839	181,386
Salaries and wages	85,778	85,883	88	171,749
Insurance	32,151	25,223	1,201	58,575
Materials and supplies	38,189	8,954	3,554	50,697
Miscellaneous	10,421	1,810	5,792	18,023
Taxes	6,545	6,553	6	13,104
Gasoline, oil and grease	5,522	4,011	-	9,533
Office supplies	6,960	5	-	6,965
Loan fees	999	2,703	-	3,702
Cost of sales	-	-	916	916
Total Operating Expenses	<u>697,538</u>	<u>593,818</u>	<u>41,316</u>	<u>1,332,672</u>
<b><u>Income (Loss) from Operations</u></b>	<u>115,916</u>	<u>(28,420)</u>	<u>(41,091)</u>	<u>46,405</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Insurance proceeds	1,003	17,869	-	18,872
Grant proceeds	1,500	1,500	1,328	4,328
Gain (Loss) on disposal of assets	1,551	1,551	-	3,102
Interest expense	(29,235)	(17,940)	-	(47,175)
Total Nonoperating Revenues (Expenses)	<u>(25,181)</u>	<u>2,980</u>	<u>1,328</u>	<u>(20,873)</u>
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	90,735	(25,440)	(39,763)	25,532
Transfers (out)	(351,426)	(40,201)	-	(391,627)
Transfers in	-	-	20,860	20,860
<b><u>Change in Net Position</u></b>	<u>(260,691)</u>	<u>(65,641)</u>	<u>(18,903)</u>	<u>(345,235)</u>
<b><u>Net Position at Beginning of Year</u></b>	<u>3,373,080</u>	<u>3,715,341</u>	<u>111,317</u>	<u>7,199,738</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 3,112,389</u>	<u>\$ 3,649,700</u>	<u>\$ 92,414</u>	<u>\$ 6,854,503</u>

See accompanying notes to financial statements.

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

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 811,270	\$ 559,162	\$ 225	\$ 1,370,657
Cash payments to suppliers for goods and services	(359,162)	(298,260)	(22,325)	(679,747)
Cash payments to employees for services	(85,778)	(85,744)	(88)	(171,610)
Net Cash Provided (Used) By Operating Activities	<u>366,330</u>	<u>175,158</u>	<u>(22,188)</u>	<u>519,300</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	-	-	20,860	20,860
Transfers out	(351,426)	(40,201)	-	(391,627)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(351,426)</u>	<u>(40,201)</u>	<u>20,860</u>	<u>(370,767)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Grant proceeds	1,500	1,500	1,328	4,328
Insurance proceeds	1,003	23,714	-	24,717
Principal paid on debt	(195,960)	(60,148)	-	(256,108)
Proceeds from long-term debt	-	718,653	-	718,653
Proceeds from disposal of capital assets	1,551	1,551	-	3,102
Acquisition of property, plant and equipment	(30,455)	(802,287)	-	(832,742)
Interest paid on debt	(30,136)	(17,940)	-	(48,076)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(252,497)</u>	<u>(134,957)</u>	<u>1,328</u>	<u>(386,126)</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	<u>(237,593)</u>	<u>-</u>	<u>-</u>	<u>(237,593)</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>488,400</u>	<u>-</u>	<u>-</u>	<u>488,400</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 250,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,807</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u></b>				
<b><u>By Operating Activities</u></b>				
Operating income (loss)	\$ 115,916	\$ (28,420)	\$ (41,091)	\$ 46,405
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	260,298	229,590	18,125	508,013
Change in assets and liabilities				
Accounts receivable	(7,380)	(6,236)	-	(13,616)
Prepaid expenses	2,790	2,790	-	5,580
Inventory	(3,458)	3,180	-	(278)
Deferred outflows of resources	7,462	5,643	-	13,105
Accounts payable	(6,733)	(23,678)	778	(29,633)
Accrued liabilities	5,484	89	-	5,573
Deferred pension and OPEB liabilities	(15,237)	(14,988)	-	(30,225)
Deferred inflows of resources	7,188	7,188	-	14,376
Net Cash Provided (Used) by Operating Activities	<u>\$ 366,330</u>	<u>\$ 175,158</u>	<u>\$ (22,188)</u>	<u>\$ 519,300</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current Assets - Cash	\$ -	\$ -	\$ -	\$ -
Restricted Assets - Cash	250,807	-	-	250,807
Total Cash	<u>\$ 250,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,807</u>

**Non-Cash Investing, Capital and Related Financing Activities - none**

See accompanying notes to financial statements.

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN #C18-005  
 EDDYVILLE, CITY OF

UNOFFICIAL

2.25% Rate  
 \$50,700.54 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$738,605.17		
06/01/18	\$42,391.23	\$8,309.31	2.25%	\$50,700.54	\$738.61	\$0.00	\$51,439.15	\$696,213.94	\$0.00	\$165,000.00
12/01/18	\$42,868.13	\$7,832.41	2.25%	\$50,700.54	\$696.21	\$0.00	\$51,396.75	\$653,345.81	\$0.00	\$165,000.00
06/01/19	\$43,350.40	\$7,350.14	2.25%	\$50,700.54	\$653.35	\$0.00	\$51,353.89	\$609,995.41	\$0.00	\$165,000.00
12/01/19	\$43,838.09	\$6,862.45	2.25%	\$50,700.54	\$610.00	\$0.00	\$51,310.54	\$566,157.32	\$0.00	\$165,000.00
06/01/20	\$44,331.27	\$6,369.27	2.25%	\$50,700.54	\$566.16	\$0.00	\$51,266.70	\$521,826.05	\$0.00	\$165,000.00
12/01/20	\$44,830.00	\$5,870.54	2.25%	\$50,700.54	\$521.83	\$0.00	\$51,222.37	\$476,996.05	\$0.00	\$165,000.00
06/01/21	\$45,334.33	\$5,366.21	2.25%	\$50,700.54	\$477.00	\$0.00	\$51,177.54	\$431,661.72	\$0.00	\$165,000.00
12/01/21	\$45,844.35	\$4,856.19	2.25%	\$50,700.54	\$431.66	\$0.00	\$51,132.20	\$385,817.37	\$0.00	\$165,000.00
06/01/22	\$46,360.09	\$4,340.45	2.25%	\$50,700.54	\$385.82	\$0.00	\$51,086.36	\$339,457.28	\$0.00	\$165,000.00
12/01/22	\$46,881.65	\$3,818.89	2.25%	\$50,700.54	\$339.46	\$0.00	\$51,040.00	\$292,575.63	\$0.00	\$165,000.00
06/01/23	\$47,409.06	\$3,291.48	2.25%	\$50,700.54	\$292.58	\$0.00	\$50,993.12	\$245,166.57	\$0.00	\$165,000.00
12/01/23	\$47,942.42	\$2,758.12	2.25%	\$50,700.54	\$245.17	\$0.00	\$50,945.71	\$197,224.15	\$0.00	\$165,000.00
06/01/24	\$48,481.77	\$2,218.77	2.25%	\$50,700.54	\$197.22	\$0.00	\$50,897.76	\$148,742.38	\$0.00	\$165,000.00
12/01/24	\$49,027.19	\$1,673.35	2.25%	\$50,700.54	\$148.74	\$0.00	\$50,849.28	\$99,715.19	\$0.00	\$165,000.00
06/01/25	\$49,578.74	\$1,121.80	2.25%	\$50,700.54	\$99.72	\$0.00	\$50,800.26	\$50,136.45	\$0.00	\$165,000.00
12/01/25	\$50,136.45	\$564.09	2.25%	\$50,700.54	\$50.14	\$0.00	\$50,750.68	\$0.00	\$0.00	\$165,000.00
<b>Totals</b>	<b>\$738,605.17</b>	<b>\$72,603.47</b>		<b>\$811,208.64</b>	<b>\$6,453.67</b>	<b>\$0.00</b>	<b>\$817,662.31</b>		<b>\$0.00</b>	

Created by KIA on 01/03/2018

## EXHIBIT B

## LEASE PAYMENTS

Date	Principal Component	Coupon	Interest Component	Total Base Rent	Declining Balance
2/1/2017					1,100,000.00
8/1/2017	48,871.86	2.450%	13,475.00	62,346.86	1,051,128.14
2/1/2018	49,470.55	2.450%	12,876.32	62,346.87	1,001,657.59
8/1/2018	50,076.56	2.450%	12,270.31	62,346.87	951,581.03
2/1/2019	50,690.00	2.450%	11,656.87	62,346.87	900,891.03
8/1/2019	51,310.95	2.450%	11,035.92	62,346.87	849,580.08
2/1/2020	51,939.51	2.450%	10,407.36	62,346.87	797,640.57
8/1/2020	52,575.77	2.450%	9,771.10	62,346.87	745,064.80
2/1/2021	53,219.82	2.450%	9,127.04	62,346.86	691,844.98
8/1/2021	53,871.76	2.450%	8,475.10	62,346.86	637,973.22
2/1/2022	54,531.69	2.450%	7,815.17	62,346.86	583,441.53
8/1/2022	55,199.71	2.450%	7,147.16	62,346.87	528,241.82
2/1/2023	55,875.90	2.450%	6,470.96	62,346.86	472,365.92
8/1/2023	56,560.38	2.450%	5,786.48	62,346.86	415,805.54
2/1/2024	57,253.25	2.450%	5,093.62	62,346.87	358,552.29
8/1/2024	57,954.60	2.450%	4,392.27	62,346.87	300,597.69
2/1/2025	58,664.54	2.450%	3,682.32	62,346.86	241,933.15
8/1/2025	59,383.18	2.450%	2,963.68	62,346.86	182,549.97
2/1/2026	60,110.63	2.450%	2,236.24	62,346.87	122,439.34
8/1/2026	60,846.98	2.450%	1,499.88	62,346.86	61,592.36
2/1/2027	61,592.36	2.450%	754.51	62,346.87	-0-
	1,100,000.00		146,937.29	1,246,937.29	

**KENTUCKY INFRASTRUCTURE AUTHORITY**

**ASSISTANCE AGREEMENT**

**FUND C**

**PROJECT NUMBER:** C18-005

**BORROWER:** City of Eddyville, Kentucky

**BORROWER'S ADDRESS** PO Box 744  
Eddyville, Kentucky 42038

**DATE OF ASSISTANCE AGREEMENT:** January 1, 2018

**ASSISTANCE AGREEMENT**

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**FUND C****ASSISTANCE AGREEMENT**

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency").

**WITNESSETH**

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Governmental Agencies Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of July 1, 2004 (the "Indenture") between the Authority and U.S. Bank National Association (the "Trustee") in order to Provide funding for its Governmental Agencies Program; and

WHEREAS, the Governmental Agency determined that it was necessary and desirable to acquire, construct, and finance the project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the Purpose of securing from the Authority the repayable Loan hereinafter identified in order to secure to the Governmental Agency the advantages of the credit of the Authority and its ability to refinance the costs incident to the Project on behalf of the Governmental Agency on terms more favorable than the Prior Loan (as hereinafter defined); and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the refinancing of the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to levy, collect and enforce and remit adequate Service Charges, as hereinafter defined, for the services Provided by the Governmental Agency's System,

as hereinafter defined, and to apply the necessary portion of said Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

WHEREAS, the Authority and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants and obligations with respect to the acquisition, construction and financing of the project and the repayment of the Loan and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS.

## ARTICLE I

## DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"Act" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"Administrative Fee" means the charge of the Authority for the services of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"Applicable Interest Rate" shall mean the rate(s) of interest which shall be used as part of the repayment criteria for a Governmental Agency under an Assistance Agreement and shall be determined by the Authority in a manner based upon the source of funds from which the Project to which the Assistance Agreement relates were generated.

"Assistance Agreement" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"Authority" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"Bond" or "Bonds" or "Revenue Bonds" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"Commonwealth" shall mean the Commonwealth of Kentucky.

"Construction" shall mean construction as defined in the Act.

"Costs of Issuance" shall mean only the costs of issuing a series of Bonds as designated by the Authority including, but not being limited to, the fees and charges of the financial advisors or underwriters, bond counsel, trustee, rating agencies, bond and official statement printers, costs

of any credit enhancement, and such other fees and expenses normally attendant to an issue of the Authority's Bonds.

"Debt Obligations" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

"Debt Service Reserve" shall mean the reserve, if any, for payment of principal of, interest on, and redemption requirements in respect of the Bonds, created and established by the Indenture.

"Engineers" means the firm of consulting engineers originally employed by the Governmental Agency in connection with the Construction of the Project.

"Governmental Agencies Program" shall mean the program authorized by the Act and the Indenture for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"Governmental Agency" shall mean any agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct and operate a Project, including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts and any other agencies, commissions, districts or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"Indenture" shall mean the General Trust Indenture dated as of July 1, 2004 between the Authority and the Trustee.

"Issue Date" shall mean, with respect to Bonds of a particular series, the date of delivery of the Bonds of such series specified and determined by the series resolution and series indenture authorizing such Bonds.

"Loan" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the refinancing of the Prior Loan, the proceeds of which were used to finance costs of Construction of the Project.

"Loan Rate" means the rate of interest identified in the Schedule of Payments and the Project Specifics

"Person" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"Prior Loan" shall mean the Assistance Agreement dated as of January 1, 2004 (Loan Number F03-04) between the Authority and the Governmental Agency.

"Project" shall mean, when used generally, an infrastructure project as defined in the Act, and when used in specific reference to the Governmental Agency, the project described in the Project Specifics.

"Project Specifics" means those specific details of the Project and the Loan identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

"Schedule of Payments" means the principal and interest requirements of the Loan as set forth in Exhibit E hereto.

"Schedule of Service Charges" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit B hereto, and such other revenues identified in Exhibit B from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority Prior to the disbursement of any portion of the Loan hereunder.

"Service Charges" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the Project which Service Charges arises by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charge shall be no less than those set forth in the Schedule of Service Charges.

"System" shall mean the utility system owned and operated by the Governmental Agency of which the project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.



(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit C is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit D hereto.

## ARTICLE III

## AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with refinancing the Prior Loan and permanently financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics. Principal payments shall be made semiannually in the amounts and on the dates set forth in the Schedule of Payments, which Schedule of Payments provides for approximately level debt service payments over the term set forth in the Schedule of Payments, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable semiannually, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan to the retirement of the Prior Loan without the need for further requisition by the Governmental Agency, whereupon the Prior Loan shall be discharged and retired.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Prepay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that, subject to compliance by the Governmental Agency with the covenants and conditions set forth in Exhibit G hereto, the source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics and all such Debt Obligations that may hereafter be issued

on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6 (D) hereof.

## ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT OF LOAN;  
REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority, if requested, appropriate documentation, satisfactory to the Authority, in its sole discretion, indicating the following:

(A) That the Authority and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to enter upon the Project and to examine and inspect same.

(B) All real estate and interest in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) The Governmental Agency has done all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and has completed Construction of the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(D) Actual construction and installation incident to the Project was performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(E) The Project was not advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals were received by the Governmental Agency and furnished to the Authority.

(F) The construction contract or contracts required the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(G) All construction contracts were prepared so that federal participation costs, if any, and state participation costs were readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency could be readily itemized.

(H) The Construction, including the letting of contracts in connection therewith, conformed in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(I) The Governmental Agency proceeded expeditiously with and completed the Project in accordance with the approved surveys, plans, specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Agency and approved by state and federal agencies, but only to the extent such approvals were required.

(J) The Governmental Agency shall permit the Authority, acting by and through its duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state grants.

(K) The Governmental Agency provided and maintained competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conformed to the approved plans, specifications and designs prepared by the Engineers.

(L) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit B and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the date of execution of this Assistance Agreement.

Section 4.2. Disbursements of Loan. Contemporaneously with the execution and delivery of this Assistance Agreement, the Authority shall direct the Trustee to apply the proceeds of the Loan to the retirement in full of the Prior Loan, whereupon the Prior Loan shall be discharged and retired, without the need for further action by the Authority or the Governmental Agency.

## ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY;  
PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit B annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the Loan Rate, or ten percent (10%) per annum, whichever is the greater, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit B hereto so qualifies), as shall be at least adequate to pay the Estimated Annual Debt Service payments set forth in the Project Specifics and, upon the establishment of the Schedule of Payments, to make the payments at the times and in the amounts set forth in the Schedule of Payments, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment Period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies. A report of all

collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Project Specifics or Schedule of Payments, as applicable.

Section 5.5. Covenant to Maintain Replacement Reserve Account. The Governmental Agency shall maintain the special account heretofore created by the Prior Loan Agreement and identified as the "Replacement Reserve Account" in the Project Specifics. The Governmental Agency shall deposit into the Replacement Reserve Account an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Replacement Reserve Account may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspection. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose prescribed, charge and collect the Service Charges set forth in Exhibit B hereto for the services of the Project as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement.

(B) That it will furnish to the Authority not less than annually reports of the operations and income and revenues of the Project, and will permit authorized agents of the Authority to inspect all records, accounts and data of the project at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

Section 5.8. Termination of Water Services to Delinquent Users. The Governmental Agency covenants and agrees that it shall, pursuant to applicable provisions of law, to the maximum extent authorized by law, enforce and collect the Service Charges imposed upon users of the Project and facilities constituting the System, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

## ARTICLE VI

## OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants that the Project has been completed in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project has heretofore been evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to the Engineer's satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to not to discontinue operations or dispose of the Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries



shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of the this Assistance Agreement and any other Debt Obligations.

Section 6.10. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof without the prior written consent of the Authority, which consent shall not be unreasonably withheld (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.11 by an action in mandamus, for specific performance, or similar remedy to compel performance.

Section 6.12. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the

Governmental Agency under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions.

## ARTICLE VII

## MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.4. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the project, and commencement of operations thereof.

Section 7.5. Covenant to Insure – Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.6. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.7. Covenant to Insure – Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal inquiry, death and property damage) and in such

amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.8. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.9. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.10. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.10, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the project or any part thereof without the written consent of the Authority.

## ARTICLE VIII

## EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations which would in the opinion of the Authority materially and adversely affect the performance of the obligations of the Governmental Agency under the Agreement.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing, the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Project Specifics of the Schedule of Payments to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

## ARTICLE IX

## MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Assistance Agreement is made subject to and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the power and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, nor assignable by either party without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.7. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.8. Venue. The parties hereto agree that in the event of a default by the Governmental Agency pursuant to the provisions of Article 8 of this Agreement, the Authority shall, to the extent permitted under the laws of the Commonwealth, have the right to file any necessary actions with respect thereto in Franklin Circuit Court.

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

KENTUCKY INFRASTRUCTURE  
AUTHORITY

By: \_\_\_\_\_  
Title: Secretary

By: \_\_\_\_\_  
Title: \_\_\_\_\_

GOVERNMENTAL AGENCY:  
CITY OF EDDYVILLE, KENTUCKY

ATTEST:

By:  \_\_\_\_\_  
Title: City Clerk

By:  \_\_\_\_\_  
Title: Mayor

APPROVED:

EXAMINED:

\_\_\_\_\_  
SECRETARY/FINANCE AND  
ADMINISTRATION CABINET OF THE  
COMMONWEALTH OF KENTUCKY

\_\_\_\_\_  
LEGAL COUNSEL TO THE  
KENTUCKY INFRASTRUCTURE  
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

\_\_\_\_\_  
APPROVED  
FINANCE AND ADMINISTRATION CABINET



**LEASE FINANCE AGREEMENT**

By and Between

**BRANCH BANKING AND TRUST COMPANY**

and

**CITY OF EDDYVILLE, KENTUCKY**

Dated as of February 1, 2017

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but for convenience of reference only)

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## LEASE FINANCE AGREEMENT

This Lease Finance Agreement ("Lease"), made and entered into as of this 1st day of February, 2017, by and between BRANCH BANKING AND TRUST COMPANY, a North Carolina banking corporation authorized to transact business in the Commonwealth of Kentucky ("Lessor"), and the CITY OF EDDYVILLE, KENTUCKY, a municipal corporation and political subdivision of the Commonwealth of Kentucky, organized and existing under and by virtue of the laws of the Commonwealth of Kentucky (the "Lessee").

### WITNESSETH:

WHEREAS, the purpose of this Lease is to provide funds, together with other available funds of the Lessee, to currently refund and redeem the Lessee's outstanding Water Revenue Bonds, Series 1996A and 1996B (collectively, the "Prior Obligations"), issued to finance improvements to the Lessee's water system (the "System"), all of which is located within the boundaries of the Lessee and is more specifically identified in Exhibit A hereto (the "Leased Facilities"); and

WHEREAS, in conjunction with the refinancing of the Prior Obligations, the Lessor wishes to lease to the Lessee, and the Lessee wishes to lease from Lessor, such Leased Facilities, subject to the terms and conditions set forth in this Lease; and

WHEREAS, pursuant to the Ordinance adopted by the Lessee on January 23, 2017, (the "Ordinance"), Lessor and Lessee intend that the Lease rank on a parity as to security and source of payment with obligations that the Lessee may issue in the future in accordance with, the provisions of this Lease and the Ordinance;

NOW THEREFORE, in consideration of the rent to be paid hereunder and the covenants and agreements contained herein, it is agreed by and between the parties as follows:

SECTION 1. Certain Defined Terms and References. (a) In addition to the terms defined elsewhere in this Lease, the following terms have the meanings given below unless the context clearly requires otherwise:

"Additional Rent" means the payments required to be made pursuant to Section 7 in addition to the Base Rent.

"Authorized Officer," when used:

(i) With respect to Lessee, means the Mayor of the Lessee or any officer of Lessee who is designated in writing by the Lessee as an Authorized Officer for the purposes of this Lease.

(ii) With respect to Lessor, means any officer of Lessor who is designated in writing by the Lessor's Board of Directors as an Authorized Officer for purposes of this Lease.

"City Council" means the City Council of the Lessee.

"Closing Date" means the date on which the Lease is executed and delivered by the Lessor and the Lessee.

"Cost of Issuance Fund" means the Cost of Issuance Fund established pursuant to Section 4 of this Lease.

"Event of Default" means any Event of Default described in Section 21.

"Final Maturity Date" means February 1, 2027.

"Independent Counsel" means any attorney or attorneys duly admitted to practice law before the highest court of any state and not an officer or full time employee of Lessor or Lessee and who is not reasonably objected to by the Purchaser.

"Lease" means this Lease Finance Agreement, as the same may be amended or supplemented from time to time.

"Lease Payment Account" means the Lease Payment Account to receive Lease Payments.

"Lease Payment Date" means August 1, 2017, and the first day of each February and August thereafter, through and including the Final Maturity Date.

"Lease Payments" means the sum of the Base Rent and Additional Rent due at or during a stated time.

"Lease Term" means, the term of the Lease, commencing on the date of execution of the Lease through and including the earlier of the date the Lessee exercises its option to purchase or the end of the Final Maturity Date.

"Leased Facilities" means the facilities described in Exhibit A and any replacements or additions thereto permitted under the provisions of Section 13 hereof.

"Lessee" or "City" means the City of Eddyville, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky.

"Lessor" means Branch Banking and Trust Company, and any successor.

"Ordinance" means the ordinance of the Lessee adopted on January 23, 2017 authorizing the execution and delivery of the Lease.

"Permitted Investments" means:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Government National Mortgage Corporation; and
5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics;

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

2. The management company of the investment company shall have been in operation for at least five (5) years; and
3. All of the securities in the mutual fund shall be eligible investments as used in this definition.

"Prior Obligations" means the City's \$1,555,000 Water Revenue Bonds, Series 1996A and \$400,000 Water Revenue Bonds, Series 1996B.

"Purchase Price" means, as of any Purchase Price Date, the amount set forth in Exhibit C, which Lessee may pay to Lessor to purchase the Leased Facilities.

"Purchase Price Date" means the applicable date referred to in Exhibit C on which Lessee may purchase the Leased Facilities by payment of the applicable Purchase Price to Lessor.

"Redemption Fund" means the Redemption Fund established pursuant to Section 4 of this Lease.

"Revenues" means the totality of all service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the Lessee for any services rendered by the works and facilities of the Lessee which relates to the System, together with other income received by the Lessee, if any, from any agency of government, both federal and state, as representing income or operating subsidies of the System, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

"Special Counsel" means Dinsmore & Shohl, Covington, Kentucky.

"State" means the Commonwealth of Kentucky.

"System" means the Lessee's water system.

(b) References to sections or exhibits, unless otherwise indicated, are to sections of or exhibits to this Lease.

**SECTION 2. Assignment of Warranties.** LESSOR MAKES NO WARRANTY OR REPRESENTATION AS TO THE TITLE, VALUE, DESIGN, CONDITION, FITNESS FOR PARTICULAR PURPOSE OR USE WITH RESPECT TO THE LEASED FACILITIES and the Lessor assigns to Lessee during the Lease Term, all warranties, including contractors' warranties, if any, express or implied with respect to the Leased Facilities. That assignment shall include an authorization to Lessee to obtain the customary services furnished in connection with those warranties, at Lessee's expense.

Unless and only to the extent otherwise expressly provided in this Lease, this Lease shall not modify, affect or supersede the respective liabilities, obligations, rights, duties and responsibilities of the Lessee under any contracts it may have with respect to the construction, reconstruction, or repair of the Leased Facilities.

**SECTION 3. Lease of Leased Facilities.** Lessee hereby demises, leases and lets to Lessor, and Lessor rents, leases and hires from Lessee, the Leased Facilities for the Lease Term. Lessor hereby demises, leases and lets back to Lessee, and Lessee rents, leases and hires back from Lessor, the Leased Facilities in accordance with the provisions of this Lease, to have and to hold

for the Lease Term. All leasehold rights granted to Lessee by Lessor under this Lease shall vest in Lessee, without any further action on the part of Lessor.

SECTION 4. Disbursements of Proceeds of Lease. There are hereby established two funds to be held by the Lessor and designated "City of Eddyville, Kentucky - Redemption Fund" (the "Redemption Fund") and "City of Eddyville, Kentucky - Cost of Issuance Fund" (the "Cost of Issuance Fund"). Upon execution and delivery of this Lease, there shall be deposited to the Redemption Fund from the proceeds of this Lease an amount equal to \$1,100,000, which shall be immediately remitted by the Lessee to the United States Department of Agriculture and applied, together with \$270,244.78 of other funds of the Lessee, to the redemption and retirement in full of the Prior Obligations on February 2, 2017. The Lessor is hereby authorized and directed to disburse the moneys in the Redemption Fund for payment of the Prior Obligations:

The remaining Lease proceeds, if any, shall be deposited to the Cost of Issuance Fund hereby created and shall be disbursed to pay fees and expenses incurred in connection with the execution, delivery and issuance of the Lease, including, without limitation, the fees and expenses of the Lessor, the Paying Agent, the Lessee, Lessee's counsel and Special Counsel, all administrative accounting, legal charges and expenses, and all recording, filing, title examination or insurance, surety bond and other fees. The Lessor is hereby authorized and directed to disburse such sums upon receipt of written direction from the Lessee to Lessor directing payment for services rendered in connection with the Lease.

SECTION 5. Acceptance of Leased Facilities. The Lessee acknowledges its acceptance of the Leased Facilities in good condition.

SECTION 6. Term. The term of this Lease shall commence on the date of execution of this Lease and will terminate on February 1, 2027, unless sooner terminated in accordance with the provisions hereof.

SECTION 7. Rent and Security. (a) Lessee agrees to pay to Lessor during the Lease Term the Lease Payments, including the interest components thereof, equal to the amounts provided below in this Section. The Lease Payments during the Lease Term will be absolute and unconditional in all events and will not be subject to any set-off, defense, counterclaim or recoupment for any reason whatsoever, including destruction of the Leased Facilities.

(b) Lessee agrees to pay as Base Rent directly to the Lessor the following amounts:

(i) Lessee agrees to pay the Base Rent specified in Exhibit B. Each payment shall be applied first to payment of the interest component of the respective Base Rent; provided, however, Lessee may make advance payments of principal components of Base Rent, provided that the Lessee is not in arrears with respect to any payment due hereunder.

(c) Lessee agrees to pay to the Lessor the following amounts as Additional Rent:

(i) Lessee represents that no charges or taxes (local, State or federal) are currently imposed on the ownership, leasing, rental, sale, purchase, possession or use of the Leased Facilities,

exclusive of taxes on or measured by Lessor's income, and acknowledges that no provision has been made for the inclusion of any such charges or taxes in the Base Rent. If during the Lease Term, the ownership, leasing, rental, sale, purchase, possession or use of the Leased Facilities shall result in the imposition on Lessor of any charges or taxes (local, State or federal), exclusive of taxes on or measured by Lessor's income, Lessee shall promptly pay to Lessor, upon receipt from Lessor of a statement therefor, as Additional Rent an amount equal to those charges and taxes imposed on Lessor.

(ii) Lessee will pay to Lessor as Additional Rent all reasonable costs and expenses incurred or to be paid by the Lessor under the Lease, including the Lessor's reasonable fees and expenses, the Lessor's out-of-pocket expenses, and the Lessor's attorney fees incurred during the term of the Lease which were not part of the original cost of the Lease.

(d) If Lessee shall not make payment of all or any part of that Additional Rent, the Lessor shall have the right, but shall not be obligated, to pay or advance the amount of such Additional Rent. If the Lessor pays any portion of such Additional Rent, Lessee shall pay Lessor no later than the next Lease Payment Date an amount equal to the sum of such Additional Rent and the costs incurred by Lessor in making such payment or advance, including the amount Lessor would have earned from investment of the amount paid or advanced before repayment thereof as determined by the Prime Rate, as announced in The Wall Street Journal, plus 1%. Lessor shall notify Lessee in writing of the costs incurred in any case of its paying or advancing such Additional Rent.

(e) Lease Payments shall be payable from the revenues of the System and there are hereby pledged to the payment of Lease Payments in accordance with the Ordinance the Revenues of the System. The Lessee covenants to apply the Revenues of the System in accordance with the provisions of the Ordinance.

(f) Lease Payments shall be payable at the designated office of the Lessor set forth in Section 23 hereof for notices or at such other place as may be designated in writing by the Lessor.

**SECTION 8. Actions Relating to Tax Exemption of Interest Components.** (a) Lessor and Lessee each covenant that it will restrict the use of moneys realized under this Lease or otherwise in connection with the refinancing of the Leased Facilities in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of entering into this Lease, so that there will not exist at any time any obligation in connection with this Lease or the Leased Facilities that constitutes an obligation the interest on which is includible in gross income for federal income tax purposes or an "arbitrage bond" under § 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed under that Section and any subsequent amendments or modifications thereto. Any officer of the Lessor or Lessee having responsibility with respect to the execution and delivery of this Lease shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessor or Lessee, give an appropriate certificate of the Lessor or Lessee pursuant to §§ 103 and



148 of the Code and those regulations, setting forth the reasonable expectations of the Lessor or Lessee on the date of entering into this Lease regarding this Lease and the use of those moneys.

(b) Lessee represents and covenants that it will not use the Leased Facilities, or permit the Leased Facilities to be used, in such a manner as would result in the exclusion from gross income for federal income tax purposes of the component of the Base Rent designated as interest on Exhibit B afforded under § 103(a) of the Code.

(c) The Lessee will keep accurate accounts of the investment earnings on nonpurpose investments and will timely rebate to the United States (a) the excess of the aggregate amount earned on all nonpurpose investments over the amount which would have been earned if all nonpurpose investments were invested at a rate equal to the yield on the Certificates and (b) any income attributable to such excess.

(d) The Lessee covenants to take all action required to maintain exclusion from gross income for federal income tax purposes afforded under § 103(a) of the Code, of the Base Rent designated as the Interest Component on Exhibit B hereto.

SECTION 9. Authority and Authorization. Lessee represents, covenants and warrants, and will deliver to Lessor an opinion of its counsel to the effect that: (i) the Lessee is a municipal corporation and political subdivision of the State, duly organized and validly existing under and by virtue of the laws of the State; (ii) the execution, delivery and performance by the Lessee of this Lease have been duly authorized by all necessary action on the part of the Lessee, including the City Council; and (iii) this Lease constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms. Lessee agrees and warrants that: (i) it will do or cause to be done all things necessary to preserve and keep the Lease in full force and effect; (ii) it has complied with all requirements applicable to it, and has taken all steps for approval and adoption of this Lease as a valid obligation on its part; and (iii) it possesses all easements, rights-of-way and use agreements necessary for the use and operation of the Leased Facilities.

SECTION 10. Title. (a) Title to the Leased Facilities during the Lease Term shall remain in the Lessee subject to the security interest granted to the Lessor hereunder. Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Leased Facilities and the Lease.

(b) The Leased Facilities shall become the property of Lessee and title thereto free and clear of the security interest herein granted shall vest in the Lessee without cost upon (i) Lessee's exercise of the purchase option granted in Section 18 hereof, (ii) defeasance of this Lease pursuant to Section 22 hereof or (iii) the complete payment and performance by Lessee of all of its obligations during the Lease Term. In any of such cases, Lessor agrees to execute such instruments and do such things as Lessee reasonably requests in order to effectuate transfer of any and all of Lessor's right, title and interest in the Leased Facilities and to release the security interest granted to Lessor hereunder. It is hereby acknowledged by Lessor and Lessee that Lessee intends to purchase the Leased Facilities on the terms set forth in this Lease.

SECTION 11. Real Property. The Leased Facilities are and will remain real property and not personal property.

SECTION 12. Use; Maintenance and Repair; Indemnification. (a) Lessee will: (i) use the Leased Facilities in a careful manner for the use contemplated by this Lease and the Kentucky Revised Statutes with respect to facilities of this type; (ii) comply with all laws, insurance policies and regulations relating to the use, maintenance and operation of the Leased Facilities; and (iii) pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Leased Facilities.

(b) Lessee, at its expense, will: (i) keep the Leased Facilities in good repair and furnish all parts, mechanisms and devices required therefor, and (ii) obtain and maintain any governmental licenses and permits required for ownership and operation of the Leased Facilities.

(c) Lessee will repair and maintain, or by contract provide for the proper repair and maintenance of, the Leased Facilities in accordance with this Section 12 during the Lease Term.

(d) Lessor agrees that during the Lease Term, unless there is an Event of Default, it will not impair the Lessee's abilities to operate or maintain the Leased Facilities in sound operating condition so that the Leased Facilities will be able to carry out its intended functions.

(e) Lessee releases Lessor from, agrees that it shall not be liable for and, solely to the extent permitted by law, indemnifies Lessor against causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses except as may be limited by law or judicial order or decision entered in any action brought to recover moneys under this Section) imposed upon, incurred by or asserted against Lessor on account of (a) ownership of any interest in the Leased Facilities or any part thereof, (b) any accident, injury or death to persons or damage to property occurring on or about the Leased Facilities or any part thereof or the adjoining sidewalks, curbs, streets or ways, (c) any use, disuse or condition of the Leased Facilities or any part thereof, or the adjoining sidewalks, curbs, streets or ways, (d) any failure on the part of Lessee to perform or comply with any of the terms hereof or (e) the performance of any labor or services or the furnishing of any materials or other property in respect of the Leased Facilities or any part thereof. In case any action, suit or proceeding is brought against Lessor for any such reason, Lessee, upon the request of Lessor, will at Lessee's expense, cause such action, suit or proceeding to be resisted and defended by Independent Counsel.

Lessor agrees to indemnify and save harmless Lessee against and from any and all cost, liability, expenses and claims arising from any breach or default on the part of Lessor in the performance of any covenant or agreement on the part of Lessor to be performed pursuant to the terms of this Lease, or arising from any act or negligence of or failure to act by Lessor, or any of its agents, contractors, servants, employees, or licensees, and from and against all cost, liability and expenses incurred in or in connection with any such claim or action or proceeding brought thereon; and in case any action or proceeding be brought against Lessee by reason of any such claim, Lessor upon notice from Lessee covenants to resist or defend such action (using counsel acceptable to Lessee) or proceedings at Lessor's expense.

SECTION 13. Alterations. Lessee will not make any alterations, additions, substitutions or replacements to the Leased Facilities which would have an adverse effect on either the nature of the Leased Facilities or the functionality or value of the Leased Facilities. Subject to the foregoing, the Lessee may make such alterations, additions, or improvements to the Leased Facilities which may be readily removed without damage to the Leased Facilities, and each other alteration, addition, improvement, substitution or replacement as the Lessee deems necessary,

provided, however, that any alterations, additions or improvements to the Leased Facilities which may not be readily removed without damage to the Leased Facilities, and any substitutions or replacements, shall be and be considered to constitute a part of the Leased Facilities.

SECTION 14. Location; Inspection. Except for removal for repair or replacement, no part of the Leased Facilities will be removed. Lessor will be entitled to enter upon the sites of the Leased Facilities or elsewhere during reasonable business hours to inspect, or observe the use and operation of the Leased Facilities.

SECTION 15. Liens and Encumbrances. Lessee and Lessor shall keep the Leased Facilities free and clear of all liens and encumbrances except those created or permitted under this Lease and the Ordinance.

SECTION 16. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Leased Facilities from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Leased Facilities will relieve Lessee of the obligation under this Lease. Lessee will promptly repair or replace any portions of Leased Facilities lost, destroyed, damaged or appropriated necessary to maintain the Leased Facilities in sound operating condition so that at all times during the Lease Term the Leased Facilities will be able to carry out their intended functions. However, if the Leased Facilities shall be damaged or destroyed to such extent that they cannot be reasonably restored with available insurance proceeds within a period of six months to the condition thereof immediately preceding such damage or destruction, the Lessee shall provide for defeasance of the Lease by providing for the payment of Base Rent sufficient to result in the prepayment of this Lease in whole at a price equal to 100% of the outstanding principal balance, plus interest accrued through the date the Lease is prepaid.

SECTION 17. Insurance. (a) Lessee during the term of this Lease shall maintain, with any loss deductible commonly used by Lessee and prudent under the circumstances, casualty insurance covering all parts of the Leased Facilities which are essential to the overall operation of the Leased Facilities.

(b) Casualty insurance may be provided under blanket or similar coverage insuring other facilities of the Lessee. Such insurance may be a combination of self-insurance and an excess liability policy.

(c) The proceeds of any casualty insurance or appropriation awards, to the extent they are not promptly used or encumbered for the purposes stated in Section 16 hereof, shall be paid to the Lessor for deposit in the Lease Payment Account and name the Lessor as a loss payee.

(d) Except as otherwise provided in Section 16 hereof, in the event of total destruction of the Leased Facilities, the Lessee shall apply insurance proceeds, self-insurance and any other moneys available and appropriated for the purpose, to the acquisition and construction of replacement Leased Facilities.

Notwithstanding any provision of this Section 17 to the contrary, Lessee covenants that it shall at all times maintain insurance on the System in the manner and for the amounts set forth in the Ordinance.

SECTION 18. Purchase Option. Lessee shall have the right to exercise its option to purchase the Leased Facilities upon payment of an amount equal to the Purchase Price as of such date as set forth on Exhibit C, and upon the giving of notice to the Lessor of such intention of Lessee at least thirty (30) days prior to the date upon which such right will be exercised. Upon exercise by Lessee of its option to purchase the Leased Facilities pursuant to this Lease, Lessor will deliver to Lessee all documents which are or may be necessary to vest all of Lessor's right, title and interest in and to the Leased Facilities in Lessee, and will release all liens and encumbrances created under this Lease with respect to the Leased Facilities.

SECTION 19. Assignments. The obligation of the Lessee under this Lease is in registered form pursuant to § 149 of the Code and this obligation and the rights to Lease Rental Payments hereunder may not be sold, assigned or transferred except as set forth below:

(a) Lessee may not, without the prior written consent of Lessor and an opinion of nationally recognized bond counsel to the effect that such assignment will not adversely affect the excludability from gross income for federal income tax purposes of the interest component of Base Rent: (i) assign, transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of this Lease or the Leased Facilities (without replacement or substitution in accordance with this Lease) or any interest in this Lease or the Leased Facilities, or (ii) sublease the Leased Facilities or permit it to be operated by anyone other than Lessee, Lessee's employees or persons authorized by Lessee in connection with Lessee's operation and maintenance of the Leased Facilities.

(b) The Lessor represents, and Lessee acknowledges, that the Lessor may assign without recourse to a subsequent purchaser its rights and duties, in and to this Lease, the Leased Facilities and other documents executed with respect to this Lease.

(c) Subject to the preceding subsections, this Lease inures to the benefit of and is binding upon the successors or assigns of the parties to this Lease.

SECTION 20. Events of Default. The occurrence of any one or more of the following events constitutes an "Event of Default" under this Lease:

(a) Lessee's failure to make any payment of Base Rent as it becomes due in accordance with the terms of this Lease; or

(b) Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease or the Ordinance, and the failure is not cured or steps satisfactory to Lessor or Purchaser taken to cure the failure, within 15 days after written notice to Lessee by Lessor or Purchaser.

SECTION 21. Remedies. Upon the occurrence of an Event of Default described in Section 20(a) above, and as long as the Event of Default is continuing, the Lessor, may, at its option, exercise any one or more of the following remedies as to the Leased Facilities:

(a) By written notice to Lessee, declare an amount equal to all amounts then due under this Lease to be immediately due and payable, whereupon that amount shall become immediately due and payable;

(b) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the State or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to any or all of the Leased Facilities.

In addition to the foregoing, upon the occurrence of an Event of Default set forth in Section 20(a) above, the Lessor may exercise any remedy available at law or in equity to enforce the obligations of the Lessee hereunder including the right to petition a court of competent jurisdiction to appoint a receiver for the Leased Facilities, and to collect the revenues and other income therefrom.

Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this Lease.

SECTION 22. Defeasance. (a) All Lease Payments will be deemed to be paid when:

(i) Cash and/or Permitted Investments which mature as to principal and interest in such amounts and at such times as will insure the availability, without further investment or reinvestment, of sufficient money, for payment of (A) the Purchase Price on a designated Purchase Price Date or (B) all Base Rent through the final Lease Payment Date, are irrevocably deposited with or made available to the Lessor in trust and irrevocably set aside for such payment; and

(ii) All customary fees, compensation and reasonable expenses of the Lessor, and all Additional Rent, pertaining to the Lease, as they relate to the Leased Facilities, and its duties in connection therewith are paid or provided for to the satisfaction of the Lessor.

(b) When all Base Rent is deemed paid, as provided above, and the Lessor has received the unqualified written legal opinion of nationally recognized bond counsel to the effect that the deposit of cash and/or Defeasance Obligations in trust will not cause the Base Rent, thereafter payable from those sources, designated as interest component on Exhibit B to be included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, the Lessor will be entitled to payment of Base Rent solely from that cash or the proceeds of those Defeasance Obligations and the right, title and interest of the Lessor and Lessee under this Lease as to the Leased Facilities shall then cease, terminate and become void, except for Lessee's obligations to Lessor under Section 12(e) which shall survive the termination of this Lease.

Prior to any defeasance becoming effective under this Lease, (i) Lessor shall have received an opinion of Independent Counsel, satisfactory to Lessor, to the effect that (a) interest on the Lease being paid by such defeasance will not become subject to Federal income taxation by reason of such defeasance, and (b) the proceeds of any deposit to effectuate such defeasance shall not constitute a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Lessor, (ii) the amounts required to be deposited pursuant to this Section 22 and the escrow deposit agreement established to effectuate the defeasance shall be invested

only in cash or Permitted Investments and (iii) certification from an independent public accounting firm that sufficient moneys have been deposited with the Lessor to make all required payments on the Lease, without further investment or reinvestment. (The opinion required by (i)(b) above may be waived in the discretion of Lessor at the time of such defeasance).

SECTION 23. Notices. All notices to be given under this Lease shall be made in writing and mailed by certified or registered mail, return receipt requested, to the party at its address stated below or at such other address as the party may provide in writing from time to time. All parties listed below shall be sent a copy of any notice sent to any party pursuant to this Lease.

If to Lessee:                   City of Eddyville, Kentucky  
                                      153 West Main Street  
                                      P.O. Box 744  
                                      Eddyville, Kentucky 42038  
                                      Attention: City Clerk/Treasurer

With a copy to the then Attorney for the Lessee

If to Lessor:                   Branch Banking and Trust Company  
                                      Governmental Finance  
                                      352 State Route 34  
                                      Hurricane, West Virginia 25526  
                                      Attention: Rusty Akers

SECTION 24. Headings. All section headings contained in this Lease are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

SECTION 25. Governing Law. This Lease shall be construed in accordance with and governed by the laws of the Commonwealth of Kentucky.

SECTION 26. Delivery of Related Documents. Lessee will execute or provide, as requested by Lessor, such other documents and information as are reasonably necessary with respect to the transactions contemplated by this Lease.

Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Leased Facilities and this Lease.

SECTION 27. Special Representations and Covenants of Lessor. (a) Lessor represents that it is a North Carolina banking corporation duly authorized to transact business in the Commonwealth of Kentucky, with full power and authority to finance and lease the Leased Facilities to the Lessee in accordance with the terms of this Lease.

(b) Neither the execution and delivery of the Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor or its property is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the

property or assets of Lessor, or upon the Leased Facilities except encumbrances permitted by this Lease.

**SECTION 28. Special Representations and Covenants of Lessee.**

(a) The Lessee represents that it intends to the maximum extent possible to support and maintain the Leased Facilities including operation and maintenance, due to the essential function performed at said Leased Facilities.

(b) The Lessee hereby designates this Lease as a "qualified tax-exempt obligation" with respect to investments by certain financial institutions under § 265(b)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). Lessor agrees and covenants to keep a complete and accurate record of all assignments in form necessary to comply with the provisions of 149(a) of the Code, and any regulations proposed or existing, or from time to time promulgated thereunder. Lessor agrees to acknowledge in writing any assignments if so requested by the Lessee.

(c) Lessee will, upon request of Lessor, at Lessee's sole cost and expense do and perform any other act and will execute, acknowledge, deliver, file, record and deposit (and will re-file, re-register, re-record, and re-deposit whenever required) any and all further instruments required by law of Lessor including, without limitation, financing statements or other documents needed for the protection of Lessor's interest.

(d) Lessee will provide Purchaser with annual audited financial statements of the Lessee within 180 days of the end of each fiscal year of the Lessee.

**SECTION 29. Entire Agreement; Amendment; Severability.** (a) This Lease, together with attachments and exhibits, and other documents or instruments executed by Lessee and Lessor in connection with this Lease, constitute the entire agreement between the parties with respect to the lease of the Leased Facilities.

(b) This Lease may not be modified, amended, altered or changed except with the written consent of Lessee and the Lessor.

(c) If any provision of, or any covenant, obligation or agreement contained in this Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Lease. The invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

IN WITNESS WHEREOF, the parties have executed this Lease by their authorized officers as of February 1, 2017.

**BRANCH BANKING AND TRUST COMPANY**

By: *Russell R. Owen III*  
Title: *Vice President*

**CITY OF EDDYVILLE, KENTUCKY**

By: \_\_\_\_\_  
Title: Mayor

ATTEST:

\_\_\_\_\_  
City Clerk



IN WITNESS WHEREOF, the parties have executed this Lease by their authorized officers as of February 1, 2017.

**BRANCH BANKING AND TRUST COMPANY**

By: \_\_\_\_\_

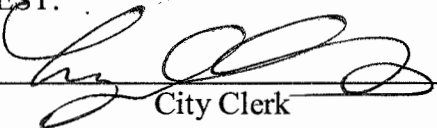
Title: \_\_\_\_\_

**CITY OF EDDYVILLE, KENTUCKY**

By: Nancy Slaton

Title: Mayor

ATTEST:

  
City Clerk

**EXHIBIT A**

**LEASED FACILITIES**

The Leased Facilities consist of the additions, extensions and improvements to the Lessee's System constructed with proceeds of the Prior Obligations.

## EXHIBIT B

## LEASE PAYMENTS

Date	Principal Component	Coupon	Interest Component	Total Base Rent	Declining Balance
2/1/2017					1,100,000.00
8/1/2017	48,871.86	2.450%	13,475.00	62,346.86	1,051,128.14
2/1/2018	49,470.55	2.450%	12,876.32	62,346.87	1,001,657.59
8/1/2018	50,076.56	2.450%	12,270.31	62,346.87	951,581.03
2/1/2019	50,690.00	2.450%	11,656.87	62,346.87	900,891.03
8/1/2019	51,310.95	2.450%	11,035.92	62,346.87	849,580.08
2/1/2020	51,939.51	2.450%	10,407.36	62,346.87	797,640.57
8/1/2020	52,575.77	2.450%	9,771.10	62,346.87	745,064.80
2/1/2021	53,219.82	2.450%	9,127.04	62,346.86	691,844.98
8/1/2021	53,871.76	2.450%	8,475.10	62,346.86	637,973.22
2/1/2022	54,531.69	2.450%	7,815.17	62,346.86	583,441.53
8/1/2022	55,199.71	2.450%	7,147.16	62,346.87	528,241.82
2/1/2023	55,875.90	2.450%	6,470.96	62,346.86	472,365.92
8/1/2023	56,560.38	2.450%	5,786.48	62,346.86	415,805.54
2/1/2024	57,253.25	2.450%	5,093.62	62,346.87	358,552.29
8/1/2024	57,954.60	2.450%	4,392.27	62,346.87	300,597.69
2/1/2025	58,664.54	2.450%	3,682.32	62,346.86	241,933.15
8/1/2025	59,383.18	2.450%	2,963.68	62,346.86	182,549.97
2/1/2026	60,110.63	2.450%	2,236.24	62,346.87	122,439.34
8/1/2026	60,846.98	2.450%	1,499.88	62,346.86	61,592.36
2/1/2027	61,592.36	2.450%	754.51	62,346.87	-0-
	1,100,000.00		146,937.29	1,246,937.29	

**EXHIBIT C**

**PURCHASE PRICE SCHEDULE**

(i) On any Lease Payment Date during the Lease Term an amount necessary to defease all payments of Base Rent through the final Lease Payment Date, (ii) on any date upon the events set forth in Section 16 of this Lease, an amount equal to 100% of the remaining principal portion of the Lease outstanding, plus accrued interest on such principal amount through the date of exercise of such option, or (iii) on any date after February 1, 2022, an amount equal to 100% of the remaining principal portion of the Lease outstanding, plus accrued interest on such principal amount through the date of exercise of such option, and without premium.

10924342v4

**Wuetcher, Gerald**

**From:** Bickers, Julie (KIA) <julie.bickers@ky.gov>  
**Sent:** Friday, July 8, 2022 9:46 AM  
**To:** Wuetcher, Gerald  
**Subject:** RE: Loan A15-020 (City of Eddyville, KY)  
**Attachments:** Eddyville A21-003 AA.pdf; Project Specifics for C18-005.pdf

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

.pdf page 48 of the attached AA is an anticipated amortization schedule. The final schedule will not be prepared until the project is closed out. A21-003 is close to completion, however they are waiting for CWP Grant funds to finish the project.

Below is a snapshot for Eddyville loans ("A" loans are for sewer projects, "F" loans are for water projects, the "C" loan is a refinance of F03-04:

Search Results for Eddyville, City of (Entity ID 122)									
KIA Loan Number	Status	Board Approval Date	Interest Rate	AA Date	Maturity Date	Loan Amount	Total Disbursed	Available Funds	Loan Balance
<a href="#">A15-020 (Construction)</a>	Active	07-02-2015	0.75%	01-01-2016	12-01-2036	\$1,398,133.50	\$1,398,133.50	\$0.00	\$931,636
<a href="#">A20-027 (P &amp; D)</a>	Paid Off	11-07-2019	2.50%	02-21-2020		\$423,963.50	\$0.00	\$423,963.50	\$0
<a href="#">A21-003 (Construction)</a>	Active	12-03-2020	0.25%	05-03-2021		\$2,745,064.00	\$2,671,846.21	\$73,217.79	\$2,671,846
<a href="#">C18-005 (Construction)</a>	Active	12-06-2017	2.25%	01-01-2018	12-01-2025	\$738,605.17	\$738,605.17	\$0.00	\$339,457
<a href="#">F03-04 (Construction)</a>	Paid Off	11-06-2003	3.00%	01-01-2004	06-01-2018	\$1,563,625.00	\$1,563,625.00	\$0.00	\$0
<b>Totals:</b>						<b>\$6,869,391.17</b>	<b>\$6,372,209.88</b>	<b>\$497,181.29</b>	<b>\$3,942,940</b>

Please let me know if I missed any information you need.

Thank you  
Julie

**From:** Wuetcher, Gerald <Gerald.Wuetcher@skofirm.com>  
**Sent:** Wednesday, July 6, 2022 11:58 AM  
**To:** Bickers, Julie (KIA) <julie.bickers@ky.gov>  
**Subject:** RE: Loan A15-020 (City of Eddyville, KY)

Monday or as soon as you can would be fine. Thanks.

**From:** Bickers, Julie (KIA) <julie.bickers@ky.gov>  
**Sent:** Wednesday, July 6, 2022 11:56 AM  
**To:** Wuetcher, Gerald <Gerald.Wuetcher@skofirm.com>  
**Subject:** RE: Loan A15-020 (City of Eddyville, KY)

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---

Gerald,

We are in draw week and Board week, all cut short due to the 4<sup>th</sup>. Would it be ok if I get this info for you Monday? I'll do it sooner if time allows

Thanks

---

**From:** Wuetcher, Gerald <[Gerald.Wuetcher@skofirm.com](mailto:Gerald.Wuetcher@skofirm.com)>

**Sent:** Tuesday, July 5, 2022 3:47 PM

**To:** Bickers, Julie (KIA) <[julie.bickers@ky.gov](mailto:julie.bickers@ky.gov)>

**Subject:** RE: Loan A15-020 (City of Eddyville, KY)

Julie:

Thank you for your earlier assistance. I apologize for this request but I am trying to ensure that Eddyville does not have to go through an expensive rate proceeding before the PSC and must again request your assistance.

Public Service Commission Staff has requested a copy of the Assistance Agreement for Loan A21-003 and the amortization schedule for that loan. Could you send me a copy of each item? What is the current status of the A21-003 funded project? Is it completed?

I have reviewed Eddyville's audit report for the year ending June 30, 2021. The auditor states:

Kentucky Infrastructure Authority (KIA) Fund F Loan - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2021 was \$431,661 of which \$92,204 is due in one year.

I have reviewed recent KIA Board Booklets and have found a reference to a loan that was approved in November 2003. There is an annotation denoting that this loan is closed. Is this loan closed? Are there any current KIA loans to Eddyville involving Eddyville's water system?

I appreciate any information that you can provide me. If you require anything from me in order to answer this request, please let me know.

Sincerely,

Jerry



**Gerald E. Wuetcher**  
Counsel to the Firm  
859-231-3017 Direct  
859-550-3894 Mobile  
300 W. Vine Street, Ste. 2100  
Lexington, KY 40507-1801

The following message, and any documents or previous e-mails attached to it, may contain confidential information protected by the attorney-client privilege. If it was sent to you in error, do not read it. Please inform the sender that you received it and then delete it. Thank you.

---

**From:** Bickers, Julie (KIA) <[julie.bickers@ky.gov](mailto:julie.bickers@ky.gov)>  
**Sent:** Tuesday, June 28, 2022 12:03 PM  
**To:** Wuetcher, Gerald <[Gerald.Wuetcher@skofirm.com](mailto:Gerald.Wuetcher@skofirm.com)>  
**Subject:** FW: Loan A15-020 (City of Eddyville, KY)  
**Importance:** High

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Hi Gerald,

I have attached the commitment letter for A15-020 and A21-003. I have highlighted the information in the credit analysis I believe you are looking for. Raising the rates was not a special condition but for A15-020 (.pdf page 12) and A21-003 (.pdf page 18) it is in the Projections which were used for the assumption that the cash flow for repayment was based on. I have also attached 2 ordinances that reference the 3% increase for even numbered years through 2026. Please let me know if you have any questions.

Thank you

*Julie Bickers*

Kentucky Infrastructure Authority  
Regional Compliance Coordinator  
100 Airport Road, Third Floor  
Frankfort, KY 40601  
Work: (502) 892-3455  
Cell: (502) 226-0762  
[Julie.Bickers@ky.gov](mailto:Julie.Bickers@ky.gov)

---

**From:** Landrum, Debbie (KIA) <[debbie.landrum@ky.gov](mailto:debbie.landrum@ky.gov)>  
**Sent:** Tuesday, June 28, 2022 11:31 AM  
**To:** Wuetcher, Gerald <[Gerald.Wuetcher@skofirm.com](mailto:Gerald.Wuetcher@skofirm.com)>  
**Cc:** Bickers, Julie (KIA) <[julie.bickers@ky.gov](mailto:julie.bickers@ky.gov)>  
**Subject:** RE: Loan A15-020 (City of Eddyville, KY)

Good afternoon!

That is Julie Bickers region of the state. I have CC'd this email so she can get you what you need.

Thank you!  
Debbie

---

**From:** Wuetcher, Gerald <[Gerald.Wuetcher@skofirm.com](mailto:Gerald.Wuetcher@skofirm.com)>  
**Sent:** Tuesday, June 28, 2022 11:26 AM  
**To:** Landrum, Debbie (KIA) <[debbie.landrum@ky.gov](mailto:debbie.landrum@ky.gov)>  
**Subject:** Loan A15-020 (City of Eddyville, KY)

Debbie:

I am writing on behalf of the City of Eddyville, which has three loans with the Kentucky Infrastructure Authority. Eddyville recently filed with the PSC notice to increase its rates by three percent. City officials advised that this action was intended to comply with an agreement that the City made with KIA several years ago to increase its rates for water and sewer operations by three percent across-the-board for water and sewer customers. I have reviewed the board packets for KIA Board meetings since 2015 and cannot locate any discussion of the need to increase rates. Could you email me a copy of the records for Loan A15-020? If you are not the correct person to submit this request, please advise to whom I should submit. If a formal Open Records Act Request is required, please let me know and I will promptly submit.

Thank you for your assistance in this matter. It is greatly appreciated.

Sincerely,

Jerry



**Gerald E. Wuetcher**  
Counsel to the Firm  
859-231-3017 Direct  
859-550-3894 Mobile  
300 W. Vine Street, Ste. 2100  
Lexington, KY 40507-1801

The following message, and any documents or previous e-mails attached to it, may contain confidential information protected by the attorney-client privilege. If it was sent to you in error, do not read it. Please inform the sender that you received it and then delete it. Thank you.



**EXHIBIT A**  
**CITY OF EDDYVILLE**  
**PROJECT SPECIFICS**  
**C18-005**

**GOVERNMENTAL AGENCY:**

Name: City of Eddyville  
P.O. Box 744  
Eddyville, KY 42038

Contact Person: Nancy E. Slaton  
Mayor

**SYSTEM:** Governmental Agencies

**PROJECT:** Raw Water Intake and a 500,000 Gallon Water Storage Tank

This loan will refinance KIA loan F03-04 to a Fund C loan. The interest rate will be reduced from 3.0% to 2.25% based on the remaining eight year term. This will result in a savings to the utility of approximately \$25,000. The original loan financed construction of a new raw water intake on Lake Barkley and a 500,000 gallon water storage tank.

**PROJECT BUDGET:**

	<u>Total</u>
Other - Refinance of F03-04	\$ 738,605.17
<b>Total</b>	<b>\$ 738,605.17</b>

**FUNDING SOURCES:**

	<u>Amount</u>	<u>%</u>
Fund C Loan	\$ 738,605.17	100%
<b>Total</b>	<b>\$ 738,605.17</b>	<b>100%</b>

**KIA DEBT SERVICE:**

Refinance of Loan F03-04	\$ 738,605.17
Interest Rate	2.25%
Loan Term (Years)	8
Estimated Annual Debt Service	<u>\$ 101,401.07</u>
Administrative Fee (0.20%)	1,477
<b>Total Estimated Annual Debt Service</b>	<b>\$ 102,878.28</b>

**AMORTIZATION COMMENCEMENT DATE:**

Full Principal and interest payments shall commence on June 1, 2018.

**REPLACEMENT RESERVE ACCOUNT:**

The existing replacement reserve account established for the Prior Loan in the amount of \$165,000 shall remain fully funded and maintained for the remaining life of the new loan.

**ADMINISTRATIVE FEE:** 0.20%

**DEFAULT RATE:** 8.00%

**DEBT OBLIGATIONS CURRENTLY OUTSTANDING:**

	<u>Outstanding</u>	<u>Maturity</u>
KIA Fund F Loan F03-04	\$ 858,554	2025
KIA Fund A Loan A15-20 (i/a/o \$1.4M)	516,479	2035
Revenue Bonds Series 1997A	1,121,000	2036
Revenue Bonds Series 1997B	289,000	2036
<b>Total</b>	<b>\$ 2,785,033</b>	

**LIABILITY INSURANCE COVERAGE:**

Death or Personal Injury (per person)  
 Death or Personal Injury (per occurrence)  
 Property Damage on System

<u>5,000,000</u>
<u>5,000,000</u>
<u>2,400,000</u>

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 4

Responding Witnesses: James Peters/Legal Counsel

**Q-4. Provide any studies or analyses performed by Eddyville that were used to determine the reasonableness of the proposed wholesale rate schedule**

A-4. See response to Question 3b.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 5

Responding Witnesses: James Peters/Legal Counsel

**Q-5. State the period (test period) Eddyville used for its financial data to determine the proposed wholesale rate schedule.**

A-5. No test period was used. Since the suspension of the proposed rate adjustment, the City has performed a limited review of its water operations expenses during Fiscal Year 2020-2021 to determine the revenue increase necessary to support those operations using the debt service methodology that the Commission uses to establish the rates of non-profit water utilities. See response to Question 3b.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 6

Responding Witnesses: James Peters/Legal Counsel

**Q-6. Provide the financial statements that support the test period identified in Item 5.**

Q-6. No test period was used to assess the reasonableness of the proposed wholesale rate prior to the filing of the proposed rate. In response to the Commission's suspension of the proposed wholesale rate adjustment, an analysis was performed using information from the audit performed on the City's financial records for the period from July 1, 2020 to June 30, 2021. For a copy of this report, see Attachment 7-3 to the response to Question 7.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 7

Responding Witness: Nicole Hagan

**Q-7. Provide the independent auditor's reports for Eddyville for the fiscal years ending 2019, 2020, and 2021 if available**

A-7. The reports are attached to this response as Attachment 7.

# ATTACHMENT 7-1

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



**CITY OF EDDYVILLE, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
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**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

---

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of contributions, and schedule of proportionate share of net pension liability on pages 3-8 and 48-53 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and schedules or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2020 on our consideration of the City of Eddyville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eddyville, Kentucky's internal control over financial reporting and compliance.

Handwritten signature of Jessica Daniel, CPA in cursive script.

Eddyville, Kentucky  
February 3, 2020

**CITY OF EDDYVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

The City of Eddyville, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's financial activities for the year ended June 30, 2019. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

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

**FINANCIAL HIGHLIGHTS**

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for the fiscal year ended June 30, 2019:

- The total assets and deferred outflows of resources of the City exceed its total liabilities and deferred inflows of resources at the close of the 2019 fiscal year by \$10,803,137 (Net Position). Of this amount, \$1,507,566 represents the unrestricted net position.
- The City's total net position decreased by \$58,042 during the year. Governmental activities increased the City's net position by \$208,436, and business-type activities decreased the City's net position by \$266,478.
- As of June 30, 2019, the City's governmental funds reported combined fund balances of \$2,214,347. Over 80% of this total amount, or \$1,802,604, is unassigned and available for spending at the City's discretion.
- As of June 30, 2019, unassigned fund balances for the General Fund were \$1,802,604.
- The City's total long-term debt obligations decreased by \$576,238 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water, sewer, and parks. The government-wide financial statements can be found on pages 9-11 of this report.

### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

The City of Eddyville maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Fire Protection Fund which are considered to be major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 12-15.

## **Proprietary Funds**

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

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

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Park Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 16-19 of this report.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-46 of this report.

## **Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 48-53. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55 and 56 of this report.

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

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

The government-wide financial statements reports that during the year ending June 30, 2019, the City received \$204,275 in operating and capital grants. Revenue from taxes increased approximately \$62,509 from June 30, 2018 to \$1,787,320. Expenses directly related to programs offered by the city decreased \$74,077 to \$3,790,545. The Statement of Activities reflects the current year decrease in net position of \$58,042.

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

**CITY OF EDDYVILLE, KENTUCKY'S NET POSITION**

	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 3,118,114	\$ 2,930,806
Noncurrent assets, net	<u>13,354,601</u>	<u>13,810,258</u>
Total Assets	<u>16,472,715</u>	<u>16,741,064</u>
Deferred outflows of resources	<u>814,644</u>	<u>1,156,970</u>
Total Assets and Deferred Outflows of Resources	<u>17,287,359</u>	<u>17,898,034</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,907,076	5,535,092
Other liabilities	<u>902,984</u>	<u>846,085</u>
Total Liabilities	<u>5,810,060</u>	<u>6,381,177</u>
Deferred inflows of resources	<u>674,162</u>	<u>655,678</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,484,222</u>	<u>7,036,855</u>
Net Position:		
Invested in capital assets net of related debt	8,742,325	8,572,100
Restricted	553,246	558,289
Unrestricted	<u>1,507,566</u>	<u>1,730,790</u>
Total Net Position	<u>\$ 10,803,137</u>	<u>\$ 10,861,179</u>

**CITY OF EDDYVILLE, KENTUCKY  
CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,642,607	\$ 1,619,674
Grants and contributions	204,275	165,242
General revenues:		
Taxes	1,787,320	1,724,811
Other	29,807	23,165
Insurance proceeds	18,059	118,608
Contributed capital	-	117,000
Gain (loss) on disposal of capital assets	18,655	100,576
Investment earnings	<u>31,780</u>	<u>28,299</u>
Total revenues	<u>3,732,503</u>	<u>3,897,375</u>
<b>Expenses</b>		
General government	797,306	835,538
Public safety	1,062,657	1,032,422
Public works	433,001	494,221
Cemetery	15,251	11,770
Parks and recreation	-	7,143
Interest expense	19,308	28,323
Business-type activities	<u>1,463,022</u>	<u>1,454,911</u>
Total Expenses	<u>3,790,545</u>	<u>3,864,328</u>
Change in net position	(58,042)	33,047
Net position - beginning, restated	<u>10,861,179</u>	<u>10,828,132</u>
Net position - ending	<u>\$ 10,803,137</u>	<u>\$ 10,861,179</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget passed by the city council anticipated expenditures to exceed revenues by \$277,314. The final General Fund budget passed by the city council anticipated expenditures to exceed revenues by \$108,722. Transfers from other funds were sufficient to cover the deficit. The budgeted operating revenue exceeded actual revenue by \$29,918 in the General Fund. Actual expenditures were greater than budgeted expenditures by \$36,860. The budgetary figures and actual amounts are reported in the supplementary information on page 48.

The original Fire Protection Fund budget passed by the city council anticipated revenues to exceed expenditures by \$69,600. The final Fire Protection budget passed by the city council anticipated revenues to exceed expenditures by \$116,743. The actual revenue exceeded budgeted revenue received by \$23,591 in the Fire Protection Fund. Actual expenditures exceeded budgeted expenditures by \$20,535. The budgetary figures and actual amounts are reported in the supplementary information on page 49.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City's investment in capital assets as of June 30, 2019 amounted to \$11,705,295 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2019	2018
<b>Governmental activities</b>		
Capital assets, not being depreciated		
Land	\$ 106,445	\$ 125,945
Construction in progress	-	16,000
Total capital assets, not being depreciated	106,445	141,945
Capital assets, being depreciated (net):		
Infrastructure	480,477	533,709
Buildings and improvements	370,247	303,367
Machinery and equipment	637,977	639,683
Vehicles	63,223	32,993
Total capital assets, being depreciated (net)	1,551,924	1,509,752
Governmental activities capital assets, net	\$ 1,658,369	\$ 1,651,697
 <b>Business-type activities:</b>		
	2019	2018
Capital assets, not being depreciated:		
Land	\$ 58,426	\$ 58,426
Total capital assets, not being depreciated	58,426	58,426
Capital assets, being depreciated:		
Buildings and improvements	9,748,378	10,167,329
Machinery and equipment	205,147	26,987
Vehicles	34,975	179,922
Total capital assets, being depreciated	9,988,500	10,374,238
Business-type activities capital assets, net	\$ 10,046,926	\$ 10,432,664



**Long-term and other debt**

At the end of the current fiscal year, the City had a total outstanding debt in the governmental and proprietary funds of \$340,000 and \$2,622,970 respectively. During the next fiscal year the general fund amount due is \$340,000. Interest expense for 2019 was \$19,308. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$251,119, and the remainder is scheduled to be paid out in 2037. Interest expense paid by the proprietary funds for 2019 was \$46,584.

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the City of Eddyville, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to John Choat, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash equivalents	\$ 1,881,610	\$ 200	\$ 1,881,810
Investments	8,480	-	8,480
Accounts receivable (net)			
Taxes	222,150	-	222,150
Fees and services	20,989	143,293	164,282
Unbilled revenue	9,420	60,874	70,294
Other	155,907	-	155,907
Intergovernmental receivables	5,986	-	5,986
Inventory	-	43,957	43,957
Prepaid expenses	12,675	7,838	20,513
Restricted assets:			
Cash equivalents	16,097	486,039	502,136
Investments	42,599	-	42,599
Total current assets	<u>2,375,913</u>	<u>742,201</u>	<u>3,118,114</u>
<b>Noncurrent Assets</b>			
Lease Receivable	1,649,306	-	1,649,306
Capital assets, net of depreciation	<u>1,658,369</u>	<u>10,046,926</u>	<u>11,705,295</u>
Total noncurrent assets	<u>3,307,675</u>	<u>10,046,926</u>	<u>13,354,601</u>
Total Assets	<u>5,683,588</u>	<u>10,789,127</u>	<u>16,472,715</u>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions and other postemployment benefits	<u>664,620</u>	<u>150,024</u>	<u>814,644</u>
Total Deferred Outflows of Resources	<u>664,620</u>	<u>150,024</u>	<u>814,644</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	98,514	35,160	133,674
Taxes withheld and accrued	6,055	62	6,117
Meter deposits payable	-	106,176	106,176
Accrued employee benefits	35,798	18,495	54,293
Accrued interest	816	10,789	11,605
Long-term debt due in one year	<u>340,000</u>	<u>251,119</u>	<u>591,119</u>
Total current liabilities	<u>481,183</u>	<u>421,801</u>	<u>902,984</u>
<b>Non-current liabilities</b>			
Net pension and other post employment benefit liabilities	1,921,440	613,785	2,535,225
Long-term debt due after one year	-	<u>2,371,851</u>	<u>2,371,851</u>
Total non-current liabilities	<u>1,921,440</u>	<u>2,985,636</u>	<u>4,907,076</u>
Total Liabilities	<u>2,402,623</u>	<u>3,407,437</u>	<u>5,810,060</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	21,199	-	21,199
Unearned interest revenue	367,854	-	367,854
Related to pensions and other postemployment benefits	207,860	77,249	285,109
Total Deferred Inflows of Resources	596,913	77,249	674,162
<b><u>Net Position</u></b>			
Net invested in capital assets	1,318,369	7,423,956	8,742,325
Restricted for			
Debt service	-	486,039	486,039
Public safety	462	-	462
Cemetery fund	66,745	-	66,745
Unrestricted	1,963,096	(455,530)	1,507,566
Total Net Position	\$ 3,348,672	\$ 7,454,465	\$ 10,803,137

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Primary Government Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Governmental activities</b>							
General government	\$ 797,306	\$ 242,044	\$ -	\$ -	\$ (555,262)	\$ -	\$ (555,262)
Public safety	1,062,657	75	148,516	-	(914,066)	-	(914,066)
Public works	433,001	-	50,759	-	(382,242)	-	(382,242)
Cemetery maintenance	15,251	-	-	-	(15,251)	-	(15,251)
Interest on long-term debt	19,308	-	-	-	(19,308)	-	(19,308)
Total governmental activities	<u>2,327,523</u>	<u>242,119</u>	<u>199,275</u>	<u>-</u>	<u>(1,886,129)</u>	<u>-</u>	<u>(1,886,129)</u>
<b>Business-type activities</b>							
Water system	707,625	801,506	-	-	-	93,881	93,881
Sewer system	678,864	578,824	-	-	-	(100,040)	(100,040)
Park	76,533	20,158	-	5,000	-	(51,375)	(51,375)
Total business-type activities	<u>1,463,022</u>	<u>1,400,488</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(57,534)</u>	<u>(57,534)</u>
Total Primary Government	<u>\$ 3,790,545</u>	<u>\$ 1,642,607</u>	<u>\$ 199,275</u>	<u>\$ 5,000</u>	<u>(1,886,129)</u>	<u>(57,534)</u>	<u>(1,943,663)</u>
<b>General Revenues and Transfers</b>							
Taxes:							
Occupational					656,503	-	656,503
Property taxes					388,115	-	388,115
Insurance premium tax					286,673	-	286,673
Restaurant tax					141,873	-	141,873
Franchise tax					109,522	-	109,522
Regulatory fees					92,915	-	92,915
Other taxes					74,619	-	74,619
Business license					37,100	-	37,100
Miscellaneous					25,007	-	25,007
Cemetery					4,800	-	4,800
Interest income					30,740	1,040	31,780
Gain (loss) on disposal of capital assets					18,655	-	18,655
Insurance Proceeds					437	17,622	18,059
Transfers					227,606	(227,606)	-
Total General Revenues and Transfers					<u>2,094,565</u>	<u>(208,944)</u>	<u>1,885,621</u>
<b>Change in Net Position</b>					<u>208,436</u>	<u>(266,478)</u>	<u>(58,042)</u>
<b>Net Position at Beginning of Year</b>					<u>3,140,236</u>	<u>7,720,943</u>	<u>10,861,179</u>
<b>Net Position at End of Year</b>					<u>\$ 3,348,672</u>	<u>\$ 7,454,465</u>	<u>\$ 10,803,137</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash equivalents	\$ 1,746,810	\$ 134,800	\$ -	\$ 1,881,610
Investments	-	-	8,480	8,480
Accounts Receivable				
Taxes	222,150	-	-	222,150
Fees and services	20,989	-	-	20,989
Other receivables	85,067	61,690	9,150	155,907
Unbilled revenue	9,420	-	-	9,420
Intergovernmental receivable	-	-	5,986	5,986
Prepaid expenses	12,675	-	-	12,675
Due from other funds	-	116,807	-	116,807
Restricted assets				
Cash equivalents	462	-	15,635	16,097
Investments	-	-	42,599	42,599
<b><u>Total Assets</u></b>	<b><u>\$ 2,097,573</u></b>	<b><u>\$ 313,297</u></b>	<b><u>\$ 81,850</u></b>	<b><u>\$ 2,492,720</u></b>
<b><u>Liabilities, Deferred Inflows, and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 91,415	\$ 7,062	\$ 37	\$ 98,514
Accrued payroll and related expenses	6,055	-	-	6,055
Accrued employee benefits	35,798	-	-	35,798
Due to other funds	116,807	-	-	116,807
Total Liabilities	<u>250,075</u>	<u>7,062</u>	<u>37</u>	<u>257,174</u>
<b><u>Deferred Inflows of Resources</u></b>				
Property Taxes	<u>21,199</u>	<u>-</u>	<u>-</u>	<u>21,199</u>
<b><u>Fund Balances</u></b>				
Nonspendable				
Prepaid expenses	12,675	-	-	12,675
Restricted for				
Cemetery fund	-	-	66,745	66,745
Municipal aid	-	-	5,986	5,986
Public safety	462	-	-	462
Committed for				
Fire protection fund	-	306,235	-	306,235
Alcoholic beverage control	-	-	9,082	9,082
Assigned for				
Employee Benefits	10,558	-	-	10,558
Unassigned	<u>1,802,604</u>	<u>-</u>	<u>-</u>	<u>1,802,604</u>
Total Fund Balances	<u>1,826,299</u>	<u>306,235</u>	<u>81,813</u>	<u>2,214,347</u>
<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>	<b><u>\$ 2,097,573</u></b>	<b><u>\$ 313,297</u></b>	<b><u>\$ 81,850</u></b>	<b><u>\$ 2,492,720</u></b>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

**Fund Balances - Total Governmental Funds**

\$ 2,214,347

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

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

Governmental capital assets	\$ 3,710,447	
Less accumulated depreciation	<u>(2,052,078)</u>	1,658,369

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

Lease receivable		1,649,306
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Accrued interest payable	(816)	
Debt due within one year	(340,000)	
Unearned interest income	(367,854)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,464,680)</u>	<u>(2,173,350)</u>

**Net Position of Governmental Activities**

**\$ 3,348,672**

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 656,503	\$ -	\$ -	\$ 656,503
Property	388,115	-	-	388,115
Insurance premiums	82,602	204,071	-	286,673
Restaurant	141,873	-	-	141,873
Franchise	109,522	-	-	109,522
Regulatory Fees	-	-	92,915	92,915
Other	74,619	-	-	74,619
License and permits	37,100	-	-	37,100
Charges for services	242,044	75	-	242,119
Intergovernmental	108,300	40,410	50,565	199,275
Miscellaneous	21,291	3,716	-	25,007
Investment income	7,975	98	740	8,813
Cemetery	-	-	4,800	4,800
Total Revenues	<u>1,869,944</u>	<u>248,370</u>	<u>149,020</u>	<u>2,267,334</u>
<b><u>Expenditures</u></b>				
Current				
General government	781,887	-	-	781,887
Public safety	414,573	120,770	100,625	635,968
Public works	284,191	-	50,602	334,793
Cemetery maintenance	-	-	15,210	15,210
Debt service	350,100	-	-	350,100
Capital outlay	262,693	7,801	-	270,494
Total Expenditures	<u>2,093,444</u>	<u>128,571</u>	<u>166,437</u>	<u>2,388,452</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>				
	<u>(223,500)</u>	<u>119,799</u>	<u>(17,417)</u>	<u>(121,118)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Insurance proceeds	437	-	-	437
Lease revenue	49,644	-	-	49,644
Proceeds from sale of capital assets	38,155	-	-	38,155
Transfers in	246,074	99	8,377	254,550
Total Other Financing Sources (Uses)	<u>334,310</u>	<u>99</u>	<u>8,377</u>	<u>342,786</u>
<b><u>Net Change in Fund Balances</u></b>	110,810	119,898	(9,040)	221,668
<b><u>Fund Balances at Beginning of Year</u></b>	<u>1,715,489</u>	<u>186,337</u>	<u>90,853</u>	<u>1,992,679</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 1,826,299</u>	<u>\$ 306,235</u>	<u>\$ 81,813</u>	<u>\$ 2,214,347</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Net Change in Fund Balance - Total Governmental Funds** \$ 221,668

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

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

Expenditures for capital assets	\$ 270,494	
Transfer assets	(26,944)	
Less current year depreciation	<u>(244,322)</u>	(772)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. (19,500)

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

Lease receivable payments	(49,644)	
Recognized unearned income	<u>21,926</u>	(27,718)

The net pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources are an obligation of the City of Eddyville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. (296,031)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide Statement of Activities. 330,000

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. 789

**Changes in Net Position of Governmental Activities** **\$ 208,436**



**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Cash equivalents	\$ -	\$ -	\$ 200	\$ 200
Receivables, net				
Fees and services	85,476	56,830	987	143,293
Unbilled revenue	34,864	26,010	-	60,874
Inventory	39,378	4,579	-	43,957
Prepaid insurance	3,919	3,919	-	7,838
Restricted assets:				
Cash equivalents	486,039	-	-	486,039
Total Current Assets	<u>649,676</u>	<u>91,338</u>	<u>1,187</u>	<u>742,201</u>
<b><u>Noncurrent Assets</u></b>				
Property, plant, and equipment, net of accumulated depreciation	<u>4,723,539</u>	<u>5,205,889</u>	<u>117,498</u>	<u>10,046,926</u>
Total Noncurrent Assets	<u>4,723,539</u>	<u>5,205,889</u>	<u>117,498</u>	<u>10,046,926</u>
Total Assets	<u>5,373,215</u>	<u>5,297,227</u>	<u>118,685</u>	<u>10,789,127</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Related to pensions and other postemployment benefits	<u>75,008</u>	<u>75,016</u>	<u>-</u>	<u>150,024</u>
Total deferred outflows of resources	<u>75,008</u>	<u>75,016</u>	<u>-</u>	<u>150,024</u>
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	15,659	16,238	3,263	35,160
Taxes withheld and accrued	-	-	62	62
Meter deposits payable	106,176	-	-	106,176
Accrued employee benefits	8,160	8,160	2,175	18,495
Accrued interest payable	10,128	661	-	10,789
Long-term debt due in one year	191,420	59,699	-	251,119
Total Current Liabilities	<u>331,543</u>	<u>84,758</u>	<u>5,500</u>	<u>421,801</u>
<b><u>Noncurrent Liabilities</u></b>				
Net pension and other postemployment benefit liabilities	306,893	306,892	-	613,785
Long-term debt due after one year	<u>1,319,467</u>	<u>1,052,384</u>	<u>-</u>	<u>2,371,851</u>
Total Noncurrent Liabilities	<u>1,626,360</u>	<u>1,359,276</u>	<u>-</u>	<u>2,985,636</u>
Total Liabilities	<u>1,957,903</u>	<u>1,444,034</u>	<u>5,500</u>	<u>3,407,437</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Related to pensions and other postemployment benefits	38,625	38,624	-	77,249
Total deferred inflows of resources	38,625	38,624	-	77,249
<b><u>NET POSITION</u></b>				
Net invested in capital assets	3,212,652	4,093,806	117,498	7,423,956
Restricted for debt service	486,039	-	-	486,039
Unrestricted	(246,996)	(204,221)	(4,313)	(455,530)
Total Net Position	<u>\$ 3,451,695</u>	<u>\$ 3,889,585</u>	<u>\$ 113,185</u>	<u>\$ 7,454,465</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 800,006	\$ 577,324	\$ 19,432	\$ 1,396,762
Grant income	-	-	613	613
Miscellaneous	1,500	1,500	113	3,113
Total Operating Revenues	<u>801,506</u>	<u>578,824</u>	<u>20,158</u>	<u>1,400,488</u>
<b><u>Operating Expenses</u></b>				
Depreciation	255,184	222,463	15,459	493,106
Salaries and wages	86,487	86,029	18,846	191,362
Employee benefits	94,049	94,412	-	188,461
Repairs and maintenance	52,770	116,416	9,638	178,824
Utilities	66,594	87,221	8,212	162,027
Insurance	39,559	32,432	4,364	76,355
Materials and supplies	35,560	9,179	10,793	55,532
Miscellaneous	20,627	8,570	2,858	32,055
Taxes	6,059	6,542	1,812	14,413
Gasoline, oil and grease	6,060	4,573	-	10,633
Office supplies	5,381	75	-	5,456
Cost of sales	-	-	4,551	4,551
Loan fees	1,350	2,313	-	3,663
Total Operating Expenses	<u>669,680</u>	<u>670,225</u>	<u>76,533</u>	<u>1,416,438</u>
<b><u>Income (Loss) from Operations</u></b>	<u>131,826</u>	<u>(91,401)</u>	<u>(56,375)</u>	<u>(15,950)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Donations	-	-	1,040	1,040
Insurance proceeds	8,811	8,811	-	17,622
Interest expense	(37,945)	(8,639)	-	(46,584)
Total Nonoperating Revenues (Expenses)	<u>(29,134)</u>	<u>172</u>	<u>1,040</u>	<u>(27,922)</u>
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	102,692	(91,229)	(55,335)	(43,872)
Capital contributions	-	-	5,000	5,000
Transfers (out)	(206,544)	(104,779)	-	(311,323)
Transfers in	-	-	83,717	83,717
<b><u>Change in Net Position</u></b>	<u>(103,852)</u>	<u>(196,008)</u>	<u>33,382</u>	<u>(266,478)</u>
<b><u>Net Position at Beginning of Year</u></b>	<u>3,555,547</u>	<u>4,085,593</u>	<u>79,803</u>	<u>7,720,943</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 3,451,695</u>	<u>\$ 3,889,585</u>	<u>\$ 113,185</u>	<u>\$ 7,454,465</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 800,042	\$ 576,724	\$ 19,171	\$ 1,395,937
Cash payments to suppliers for goods and services	(259,523)	(290,617)	(41,397)	(591,537)
Cash payments to employees for services	(87,754)	(87,753)	(19,050)	(194,557)
Net Cash Provided (Used) By Operating Activities	<u>452,765</u>	<u>198,354</u>	<u>(41,276)</u>	<u>609,843</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	-	-	55,520	55,520
Transfers out	(206,544)	(104,779)	-	(311,323)
Donations	-	-	1,040	1,040
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(206,544)</u>	<u>(104,779)</u>	<u>56,560</u>	<u>(254,763)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Capital contributions	-	-	5,000	5,000
Insurance proceeds	8,811	8,811	-	17,622
Principal paid on debt	(186,985)	(59,254)	-	(246,239)
Acquisition of property, plant and equipment	(24,680)	(33,460)	(20,284)	(78,424)
Interest paid on debt	(40,459)	(9,672)	-	(50,131)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(243,313)</u>	<u>(93,575)</u>	<u>(15,284)</u>	<u>(352,172)</u>
<b><u>Cash Flows from Investing Activities</u></b>				
Net Cash Provided (Used) By Investing Activities	-	-	-	-
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>				
	2,908	-	-	2,908
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>				
	483,131	-	200	483,331
<b><u>Cash and Cash Equivalents at End of Year</u></b>				
	<u>\$ 486,039</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 486,239</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u></b>				
<b><u>By Operating Activities</u></b>				
Operating income (loss)	\$ 131,826	\$ (91,401)	\$ (56,375)	\$ (15,950)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	255,184	222,463	15,459	493,106
Change in assets and liabilities				
Decrease (increase) in accounts receivable	(5,579)	(2,100)	(987)	(8,666)
Decrease (increase) in prepayments	40,522	33,341	-	73,863
Decrease (increase) in inventory	50	1,545	-	1,595
Decrease (increase) in deferred outflows of resources	20,828	20,820	-	41,648
Increase (decrease) in accounts payable	4,062	11,734	789	16,585
Increase (decrease) in accrued liabilities	2,196	(1,724)	(162)	310
Increase (decrease) in deferred pension liability	5,357	(1,681)	-	3,676
Increase (decrease) in deferred inflows of resources	(1,681)	5,357	-	3,676
Net Cash Provided (Used) by Operating Activities	<u>\$ 452,765</u>	<u>\$ 198,354</u>	<u>\$ (41,276)</u>	<u>\$ 609,843</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current Assets - Cash	\$ -	\$ -	\$ 200	\$ 200
Restricted Assets - Cash	486,039	-	-	486,039
Total Cash	<u>\$ 486,039</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 486,239</u>
<b><u>Non-Cash Investing, Capital and Related Financing Activities - none</u></b>				

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eddyville, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), public works (highway and streets), water distribution, wastewater treatment, cemetery maintenance, and community pool and park.

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

**A. The Financial Reporting Entity**

The City of Eddyville, Kentucky operates under a Mayor/Council form of government. The City Council consists of six members elected at large by the citizens on a non-partisan basis. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity, and related relationships with the City.

**B. Basis of Presentation**

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

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

**Fund Financial Statements**

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

***Governmental Funds***

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

**General Fund**

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

**Fire Protection Fund**

The Fire Protection Fund is used to account for the provision of fire protection services to the residents of the City. Revenues consist of insurance premium taxes assigned to this fund.

***Proprietary Funds***

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

**Water Fund**

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

**Sewer Fund**

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

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

**D. Budgets**

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

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the original adopted budget for year ended June 30, 2019 .

**E. Cash and Investments**

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

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

**F. Receivables**

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

**G. Allowance for Uncollectible Accounts**

The City elects to not recognize an allowance for uncollectible accounts. Bad debts are removed utilizing the direct write-off method.

**H. Inventory**

Material and supplies inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. The cost is recorded as an asset at the time of purchase and as expenditures when used (consumption method).

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

**J. Restricted Assets**

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



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	12-50 years
Utility Plant	30-33 years
Machinery and Equipment	3-10 years

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

**L. Unearned Revenue**

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

**M. Compensated Absences**

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation and personal time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacations, sick, and other leave benefits that meet the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences attributable to employees' services already rendered
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year. Vacation leave is eligible as follows:

- a. 1st year - days granted equals the number of months the employee has worked during the previous calendar year times 83%.
- b. 2nd year through 10th year - 10 days
- c. 11th year and above - 15 days.

Employees are urged to take their annual leave each year. However, for leave that is not taken during the year, employees will be paid in December for up to 10 days. Vacation rights are vested after satisfactory completion of the first six months of employment. Only full time employees are eligible for vacation benefits. When an employee gives a proper notice of two weeks all accrued annual vacation leave shall be paid at the employee's current rate of pay.

Each full time employee is granted personal leave credit at the rate of one working day per month. Any personal days granted and unused in excess of 24 total days may be exchanged at the end of the calendar year at the rate of the employee's current rate of hourly pay. There is no limit to the number of personal leave days an employee may accrue. However, the exchange for year-end pay shall be based on the current year and in no case shall be more than 12 personal days per year to be exchanged for payment.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**N. Long-Term Debt**

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

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

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

**O. Bond Discounts/Issuance Costs**

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

**P. Interfund Transactions**

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

**Q. Estimates**

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

**R. Pensions**

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**S. Postemployment Benefits Other Than Pensions (OPEB)**

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

**T. Net Position**

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

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

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

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

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**U. Deferred Outflows of Resources and Deferred Inflows of Resources**

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

Deferred outflows related to pensions and other post employment benefits are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other postemployment benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other postemployment liabilities in the year ending June 30, 2019. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

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

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

Deferred inflows related to pensions are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions results from net differences between expected and actual earnings on pension plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

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

**V. Adoption of New Accounting Pronouncements**

**GASB Statement No. 83**

GASB Statement No. 83, Certain Asset Retirement Obligations, was issued in November 2016. The provisions of this pronouncement are effective for periods beginning after June 15, 2018. This pronouncement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (ARO), including obligations that may not have been previously reported. The pronouncement also will enhance the decision usefulness of the information provided to the financial statement users by requiring disclosures related to those ARO's.

**GASB Statement No. 88**

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued in April 2018. The provisions of this pronouncement are effective for periods beginning after June 15, 2018. This pronouncement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**W. Recent Accounting Pronouncements**

As of June 30, 2019, the GASB has issued the following pronouncements not yet required to be adopted by the City.

*GASB Statement No. 87*

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

*GASB Statement No. 90*

GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61, was issued in August 2018. The provisions of this Statement are effective for periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

**X. Subsequent Events**

The City has evaluated subsequent events through February 3, 2020, the date which the financial statements were available to be issued.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**2. LEGAL COMPLIANCE**

**Excess of Expenditures Over Appropriations in Individual Funds**

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2019:

General Fund	\$	36,860	Due capital outlay.
Fire Protection Fund	\$	20,535	Due operating expenses.

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

**Deficit Fund Balances/Net Position**

No funds had a deficit fund balance or deficit net position during the fiscal year ending June 30, 2019.

**3. DEPOSITS AND INVESTMENTS**

**A. Statement of Net Position Cash Presentation**

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

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 1,000	\$ 1,880,810	\$ -	\$ 1,881,810
Investments	-	8,480	-	8,480
Restricted assets				
Cash equivalents	-	502,136	-	502,136
Investments	-	42,599	-	42,599
Total	<u>\$ 1,000</u>	<u>\$ 2,434,025</u>	<u>\$ -</u>	<u>\$ 2,435,025</u>

**B. Deposits**

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$2,435,025 the bank balance was \$2,467,449. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$584,978 was held in an Insured Cash Sweep Account (ICS), \$500,000 was covered by federal depository insurance, and \$1,382,471 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

**C. Investments**

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

*Interest Rate Risk*

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

*Credit Risk and Custodial Risk*

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

*Concentrations of Credit Risk*

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

*Identification*

Investment	Maturities	Fair Value
Certificates of Deposit:		
Cemetery Fund - Rolling Hills Branch Banking & Trust	11/5/2019	\$ 8,480
Cemetery Trust - Hickory Grove Branch Banking & Trust	12/20/2019	19,856
Fredonia Valley Bank	3/31/2022	<u>22,743</u>
Total Investments		<u>\$ 51,079</u>

**4. PROPERTY TAX**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Lyon County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Lyon County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2019, taxes were levied on October 31, 2018 and payable on December 1, 2018. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.322 per \$100 of assessed valuation of real property, and \$0.2906 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

**5. RESTRICTED NET POSITION**

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Water Fund as of June 30, 2019.

Debt Requirement Restricted Assets

Loan reserve funds	<u>\$ 486,039</u>
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**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**6. CAPITAL ASSETS**

**Governmental Activities**

A summary of capital assets at June 30, 2019 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 125,945	\$ -	\$ (19,500)	\$ 106,445
Construction in progress	16,000	-	(16,000)	-
Total capital assets not being depreciated	<u>141,945</u>	<u>-</u>	<u>(35,500)</u>	<u>106,445</u>
Capital assets being depreciated:				
Infrastructure	938,246	-	-	938,246
Buildings and improvements	540,131	83,882	-	624,013
Machinery and equipment	1,642,610	149,701	(13,649)	1,778,662
Vehicles	231,800	52,911	(21,630)	263,081
Total capital assets being depreciated	<u>3,352,787</u>	<u>286,494</u>	<u>(35,279)</u>	<u>3,604,002</u>
Less accumulated depreciation for:				
Infrastructure	(404,537)	(53,232)	-	(457,769)
Buildings and improvements	(236,764)	(17,002)	-	(253,766)
Machinery and equipment	(1,002,927)	(151,407)	13,649	(1,140,685)
Vehicles	(198,807)	(22,681)	21,630	(199,858)
Total accumulated depreciation	<u>(1,843,035)</u>	<u>(244,322)</u>	<u>35,279</u>	<u>(2,052,078)</u>
Total capital assets being depreciated, net	<u>1,509,752</u>	<u>42,172</u>	<u>-</u>	<u>1,551,924</u>
Governmental activities capital assets, net	<u>\$ 1,651,697</u>	<u>\$ 42,172</u>	<u>\$ (35,500)</u>	<u>\$ 1,658,369</u>

**Business-type Activities**

A summary of property, plant, and equipment at June 30, 2019 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 58,426	\$ -	\$ -	\$ 58,426
Total capital assets not being depreciated	<u>58,426</u>	<u>-</u>	<u>-</u>	<u>58,426</u>
Capital assets being depreciated:				
Plant and facilities	18,553,162	-	-	18,553,162
Vehicles	94,573	22,069	-	116,642
Machinery and equipment	640,118	58,355	(2,000)	696,473
Total capital assets being depreciated	<u>19,287,853</u>	<u>80,424</u>	<u>(2,000)</u>	<u>19,366,277</u>
Less accumulated depreciation for:				
Plant and facilities	(8,367,499)	(437,285)	-	(8,804,784)
Vehicles	(67,587)	(14,080)	-	(81,667)
Machinery and equipment	(451,585)	(41,741)	2,000	(491,326)
Total accumulated depreciation	<u>(8,886,671)</u>	<u>(493,106)</u>	<u>2,000</u>	<u>(9,377,777)</u>
Total capital assets being depreciated, net	<u>10,401,182</u>	<u>(412,682)</u>	<u>-</u>	<u>9,988,500</u>
Business-type activities capital assets, net	<u>\$ 10,459,608</u>	<u>\$ (412,682)</u>	<u>\$ -</u>	<u>\$ 10,046,926</u>

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

Governmental activities	
Public safety	\$ 130,899
General government	15,175
Public works	98,207
Cemetery	41
Total depreciation expense - governmental activities	<u>\$ 244,322</u>



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Business-type activities	
Water	\$ 255,184
Sewer	222,463
Park	<u>15,459</u>
Total depreciation expense - business type activities	<u>\$ 493,106</u>

**7. LEASE RECEIVABLE**

On October 24, 2003, the City entered into a lease agreement with the City of Kuttawa to lease the gas transmission lines for \$2,188,000, of which \$648,000 is recognized as unearned interest income. The lease agreement calls for monthly lease payments determined by usage. The City of Kuttawa will pay to Eddyville \$0.50 per 1,000 cubic feet of gas transported by Kuttawa in the Eddyville gas lines. Payments will be based on the meter reading at the delivery point. The term of the agreement is 20 years, at which time the parties may extend the agreement for a subsequent term or term of 20 years. At the conclusion of the lease, legal ownership of the gas transmission lines vests in the City of Kuttawa. Due to the payment structure a five year payment schedule cannot be presented.

	Balance June 30, 2018	Payments Received	Interest Recognized	Balance June 30, 2019
Lease Receivable	\$ 1,698,950	\$ 49,644	\$ -	\$ 1,649,306
Unearned Interest	<u>389,780</u>	<u>-</u>	<u>21,926</u>	<u>367,854</u>
Lease Receivable, net	<u>\$ 1,309,170</u>	<u>\$ 49,644</u>	<u>\$ 21,926</u>	<u>\$ 1,281,452</u>

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2019. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

**9. LONG-TERM DEBT**

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

*Governmental Activities*

As of June 30, 2019, the governmental long-term debt consisted of the following:

Current portion bond obligation	<u>\$ 340,000</u>
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**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

*Business-Type Activities*

As of June 30, 2019, the leases, notes, and bonds payable from proprietary fund resources consisted of the following:

Current portion proprietary debt:	\$ 251,119
Noncurrent portion proprietary debt:	<u>2,371,851</u>
Total Proprietary Debt Obligations	<u><u>\$ 2,622,970</u></u>

*General Bond Obligation*

General Obligation Refunding Bonds, Series 2011 - On January 6, 2011, the City issued General Obligation Refunding Bonds, Series 2011 to refund existing debt for both the general fund and the sewer fund. The bond issue calls for semiannual interest payments at interest rates ranging from 2% to 3% and varying annual principal payments with the final payment due in 2020. The issue is backed by the full faith and credit of the City. The bonds were issued in the amount of \$2,850,000. The principal balance of the bond obligations at June 30, 2019, was \$340,000 which is due in one year.

*Proprietary Leases*

Branch Banking and Trust Company

The City entered into a leasing agreement on February 1, 2018, with Branch Banking and Trust Company to refund and redeem the outstanding Water Revenue Bonds, Series 1966A and 1996B issued to finance improvements to the City's water system. The aggregate principal amount is \$1,100,000 and bears an interest rate of 2.45%. The lease calls for semi-annual principal and interest payments with the final payment being due February 1, 2027. The City is required to maintain the sinking fund and depreciation fund created under the provisions of the 1996 Bond Legislation. The principal balance of the lease obligation at June 30, 2019, was \$900,892 of which \$103,250 is due in one year.

*Proprietary Notes Payable*

Kentucky Infrastructure Authority (KIA) Fund F Loan - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2019 was \$609,995 of which \$88,170 is due in one year.

Kentucky Infrastructure Authority (KIA) Revolving Loan Fund A

On January 1, 2016, the City entered into a financial agreement with Kentucky Infrastructure Authority for sewer improvements not to exceed \$1,400,000. The funds were provided through the Federally Assisted Wastewater Revolving Loan Fund Program Fund A. The total project was completed and draws totaled \$1,398,134, of which 10% (\$139,813) of the principal was forgiven. The loan is to be repaid over 20 years with an interest rate of .75% and an administrative fee of .20%. The loan requires semiannual principal and interest payments. The City is required to establish a Maintenance and Replacement Reserve where the City is to deposit \$3,500 per year until the account reaches \$35,000. The balance of \$35,000 is to be maintained for the life of the loan. Principal payments began June 1, 2018. The principal balance at June 30, 2019 was \$1,12,083 of which \$59,699 is due in one year.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

A summary of changes in government-wide activities debt for the year ended June 30, 2019 follows:

	<u>Balance June 30, 2018</u>	<u>Issuance/ (Reductions)</u>	<u>Balance June 30, 2019</u>	<u>Due in One Year</u>
<i><u>Governmental Activities</u></i>				
Bonds payable:				
Refunding Bonds, Series 2011	\$ 670,000	\$ (330,000)	\$ 340,000	\$ 340,000
Total Governmental Activities	<u>670,000</u>	<u>(330,000)</u>	<u>340,000</u>	<u>340,000</u>
<i><u>Business Type Activities</u></i>				
Leases payable:				
BB&T Governmental	\$ 1,001,658	\$ (100,766)	\$ 900,892	\$ 103,250
Notes Payable				
KIA Fund F Loan	696,213	(86,218)	609,995	88,170
KIA Fund A Loan	<u>1,171,337</u>	<u>(59,254)</u>	<u>1,112,083</u>	<u>59,699</u>
Total Business-Type Activities	<u>2,869,208</u>	<u>(246,238)</u>	<u>2,622,970</u>	<u>251,119</u>
Total Primary Government	<u>\$ 3,539,208</u>	<u>\$ (576,238)</u>	<u>\$ 2,962,970</u>	<u>\$ 591,119</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2019, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 591,119	\$ 52,521	\$ 643,640
2021	255,352	41,805	297,157
2022	261,114	36,042	297,156
2023	267,026	30,131	297,157
2024	273,091	24,066	297,157
2025-2029	820,771	45,186	865,957
2030-2034	326,569	13,070	339,639
2035-2037	<u>167,928</u>	<u>1,894</u>	<u>169,822</u>
Total	<u>\$ 2,962,970</u>	<u>\$ 244,715</u>	<u>\$ 3,207,685</u>

Total interest expensed for the year ended June 30, 2019:

Governmental activities	\$ 19,308
Business-type activities	<u>46,584</u>
	<u>\$ 65,892</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**11. LITIGATION AND CONTINGENCIES**

**Litigation**

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

**Contingencies**

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2019 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

**12. COMMITMENTS**

Kentucky Law Enforcement Foundation Program (KLEFP) funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualifications.

The City entered into a contract with Freedom Waste Service, LLC (Contractor) beginning October 14, 2014 to provide sanitation services. The City is responsible for billing and collecting fees. Amounts collected for services, less a 10% franchise fee, and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly. This contract was completed in March 2019.

The City entered into a new contract with Waste Path Services, LLC (Contractor) beginning April 14, 2019 to provide sanitation services. The City is responsible for billing and collecting fees. Amounts collected for services, less a 10% franchise fee, and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly. This is a three (3) year contract expiring April 13, 2022, with an option to renew for a period of one (1) additional year.

**13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES**

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

Primary government operating transfers at June 30, 2019 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<b><u>Government-wide</u></b>	\$ 26,944	\$ -	\$ 26,944
<b><u>General Fund</u></b>	-	246,074	(246,074)
<b><u>Special Revenue Funds</u></b>			
Fire Protection	-	99	(99)
Cemetery fund	-	1,719	(1,719)
Alcohol Beverage Fund	-	6,658	(6,658)
<b><u>Business-type funds</u></b>			
Water Fund	206,544	-	206,544
Sewer Fund	104,779	-	104,779
Park Board	-	83,717	(83,717)
Total	<u>\$ 338,267</u>	<u>\$ 338,267</u>	<u>\$ -</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**14. EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

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

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

**Nonhazardous members:**

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

**Hazardous members:**

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service an any age Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Not available

**CITY OF EDDYVILLE, KENTUCKY**  
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*Contributions.* State statute requires active members to contribute a percentage of creditable compensation based on the tier.

	<b><u>Nonhazardous</u></b>		<b><u>Hazardous</u></b>
	<b><u>Required Contributions</u></b>		<b><u>Required Contributions</u></b>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2019 the employer contribution rate was 16.22% and 24.86%, respectively, of member's nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. City employer CERS contributions for the year ended June 30, 2019 were \$112,799 which was 100% funded. The requirement consisted of \$52,913 and \$59,886 for nonhazardous and hazardous classified employees, respectively.

*Refunds of contributions.* Employees who have terminated service as a contribution member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For Tier 1 employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2%, for Tier 2 employees participating on or after September 1, 2008, but before January 1, 2014, interest will be credited at a rate of 2.5%. For Tier 3 employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At June 30, 2019, the City reported a liability of \$1,960,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled-forward from the valuation date to June 30, 2018, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the plan year ended June 30, 2018. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2018, the City's proportion was .015460% for nonhazardous classified employees and .042127% for hazardous classified employees.

The following is a summary of the City's CERS net pension liability:

City's nonhazardous proportionate share of the CERS net pension liability	\$ 941,561
City's hazardous proportionate share of the CERS net pension liability	<u>1,018,823</u>
Total CERS net pension liability associated with the City	<u>\$ 1,960,384</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Pension expense.* As a result of its requirement to contribute to CERS, the City recognized pension expenses of \$416,762 (\$91,519 nonhazardous and \$325,243 hazardous) for the year ended June 30, 2019. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Non-hazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 30,711	\$ 13,782	\$ 81,081	\$ -
Net differences between projected and actual investment earnings	43,783	55,073	37,763	49,255
Change of assumption	92,018	-	108,450	-
Changes in proportion and differences between employer contributions and share of contributions	1,401	24,980	114,044	13,802
Contributions subsequent to the measurement date	<u>52,913</u>	<u>-</u>	<u>59,886</u>	<u>-</u>
Totals	<u>\$ 220,826</u>	<u>\$ 93,835</u>	<u>\$ 401,224</u>	<u>\$ 63,057</u>

The \$112,799 (\$52,913 nonhazardous and \$59,886 hazardous) reported as deferred outflows of resources related to pension 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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2020	\$ 60,475	\$ 219,788
June 30, 2021	32,317	69,722
June 30, 2022	(13,661)	(6,628)
June 30, 2023	<u>(5,053)</u>	<u>(4,601)</u>
Total	<u>\$ 74,078</u>	<u>\$ 278,281</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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*Actuarial assumptions.* For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

	<b><u>Non-Hazardous</u></b>	<b><u>Hazardous</u></b>
Inflation	2.30%	2.30%
Payroll Growth Rate	2.00%	2.00%
Investment rate of return,	6.25%	6.25%

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% 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 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, 2018 is determined using these updated benefit provisions.

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 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.

Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of an actuarial experience study. The actuarial assumption used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2008 - June 30, 2013. The investment return, price inflation, and payroll growth assumptions were adopted by the Board in May and July 2018, for the use with the June 30, 2018 valuation.



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

The target allocation and best estimates of arithmetic real rates of return for each major class at June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
US Equity	17.50%	4.50% - 5.50%
International Equity	17.50%	6.50% - 7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Private Equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	<u>100%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability as of the measurement date was 6.25% for both nonhazardous and hazardous employees. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year (closed) amortization period of the unfunded actuarial accrued liability. The discount 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 net 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:

The City's proportionate share of the net pension liability	<u>1% Decrease 5.25%</u>	<u>Current Discount Rate 6.25%</u>	<u>1% Increase 7.25%</u>
Non-Hazardous	\$ 1,185,328	\$ 941,561	\$ 737,327
Hazardous	\$ 1,276,519	\$ 1,018,823	\$ 805,790

*Payables to the pension plan.* At June 30, 2019, the financial statements include \$14,311 in contractually required employee and employer contributions primarily for the month ended June 30, 2019. The obligation was paid within prescribed time limits.

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Other Post-Employment Benefit Plans (OPEB)**

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

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

The CERS Non-hazardous and Hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB 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 health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Membership in the CERS Non-hazardous and Hazardous Insurance Fund consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Membership Status	Nonhazardous	Hazardous
Inactive plan members currently receiving benefits	33,481	6,341
Inactive plan members entitled to but not yet receiving benefits	8,230	450
Active plan members	81,891	9,486
Total plan members	123,602	16,277

*Benefits provided.* For members participating prior to July 1, 2003, the Insurance Fund pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Hazardous duty members are also eligible for an additional contribution for dependents based upon hazardous service only. For employees participating prior to July 1, 2003, years of service and respective percentage of the maximum contribution are shown below:

Service Period	% paid by Insurance Fund
20 or more years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004) Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008, are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. Nonhazardous 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 for each year of the deceased employee's unearned hazardous service. Upon the death of a hazardous employee, the employee's spouse

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

received \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. The monthly health insurance contribution is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index (CPI) prior to July 1, 2009, and by 1.5% annually from July 1, 2009. This benefit is not protected under the inviolable contract provision of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

*Contributions* Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2019, the employer contribution rate was 5.26% and 10.47%, respectively of members' non-hazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2019, were \$42,372, which consisted of \$17,161 and \$25,211 for nonhazardous and hazardous classified employees, respectively.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited into an account created for the payment of health insurance benefits under 26 USC Section 104(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to the 401(h) account is non-refundable.

*Implicit Subsidy* The fully-insured premiums KRS pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date. The City's implicit subsidy for the year ended June 30, 2019 was \$4,428 for nonhazardous employees and \$(1,196) for hazardous employees.

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources* At June 30, 2019, the City reported a net OPEB liability of \$574,841 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was determined using the City's actual contributions for the plan year ended June 30, 2018. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2018, the City's proportion was .015459% for nonhazardous classified employees and .042130% for hazardous classified employees.

The following is a summary of the City's CERS net OPEB liability:

City's nonhazardous proportionate share of the CERS net OPEB liability	\$ 274,471
City's hazardous proportionate share of the CERS net OPEB liability	<u>300,370</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 574,841</u></u>

For the year ended June 30, 2019, the City recognized OPEB expense of \$83,437 (\$33,539 nonhazardous and \$49,898 hazardous). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

	<u>Non-hazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ -	\$ 31,986	\$ -	\$ 33,567
Net differences between projected and actual investment earnings	-	18,906	-	28,556
Change of assumption	54,816	634	92,175	822
Changes in proportion and differences between employer contributions and share of contributions	-	7,683	-	6,064
Contributions subsequent to the measurement date, including implicit subsidy	<u>21,589</u>	<u>-</u>	<u>24,015</u>	<u>-</u>
Totals	<u>\$ 76,405</u>	<u>\$ 59,209</u>	<u>\$ 116,190</u>	<u>\$ 69,009</u>

The \$45,604 (\$21,589 nonhazardous and \$24,015 hazardous) reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and the implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2020	\$ (500)	\$ 16,319
June 30, 2021	(500)	16,319
June 30, 2022	(500)	(260)
June 30, 2023	3,172	(9,212)
June 30, 2024	(3,858)	-
June 30, 2025	<u>(2,207)</u>	<u>-</u>
Total	<u>\$ (4,393)</u>	<u>\$ 23,166</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

*Actuarial Assumptions* The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2018 actuarial valuation was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% 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, 2018, is determined using these updated benefit provisions.

Valuation date	June 30, 2016
Experience study	July 1, 2008 - June 30, 2013
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.05% average
Investment Rate of Return	6.25%
<u>Healthcare Trend Rates</u>	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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 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.

Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of an actuarial experience study. The actuarial assumption used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2008 - June 30, 2013. The investment return, price inflation, and payroll growth assumptions were adopted by the Board in May and July 2017, for the use with the June 30, 2018 valuation.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

The target allocation and best estimates of arithmetic nominal rates of return for each major class at June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
US Equity	17.50%	4.50% - 5.50%
International Equity	17.50%	3.00% - 6.50%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Credit	10.00%	8.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Private Equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	<u>100%</u>	

*Discount Rate* The single discount rate of 5.85% for nonhazardous and 5.97% for hazardous were used to measure the total OPEB liability as of June 30, 2018. For both hazardous and nonhazardous groups, the single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a long-term municipal bond rate of 3.62% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate, which is determined using a closed funding period (25 years as of June 30, 2018) of the unfunded actuarial accrued liability. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the actuarially determined contributions since any cost associated with the implicit subsidy will not be paid out of the retirement system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the City's proportionate share of the nonhazardous net OPEB liability calculated using the discount rate of 5.85%, as well as what the City's proportionate share of the nonhazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease 4.85%	Current Discount Rate 5.85%	1% Increase 6.85%
Non-Hazardous	\$ 356,494	\$ 274,471	\$ 204,603

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.97%, as well as what the City's proportionate share of the hazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97) or 1-percentage-point higher (6.97%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.97%</u>	Current Discount Rate 5.97%	1% Increase <u>6.97%</u>
Hazardous	\$ 417,529	\$ 300,370	\$ 206,581

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate.* The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

The City's proportionate share of the net pension liability	1% Decrease <u>          </u>	Current Healthcare Cost Trend Rate <u>          </u>	1% Increase <u>          </u>
Non-Hazardous	\$ 204,347	\$ 274,471	\$ 357,128
Hazardous	\$ 204,566	\$ 300,370	\$ 419,026

*Payables to the pension plan.* At June 30, 2019, the financial statements include \$2,812 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2019. The obligation was paid within prescribed time limits.

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

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF EDDYVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with
	<u>Budgeted</u>	<u>Budgeted</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 600,000	\$ 600,000	\$ 656,503	\$ 56,503
Property	500,000	494,773	388,115	(106,658)
Restaurant	130,000	130,000	141,873	11,873
Franchise	93,000	93,000	109,522	16,522
Insurance premiums	70,000	111,978	82,602	(29,376)
Other	55,600	55,600	74,619	19,019
License and permits	33,300	33,300	37,100	3,800
Charges for services	268,700	268,700	242,044	(26,656)
Intergovernmental	70,700	97,411	108,300	10,889
Miscellaneous	12,100	12,100	21,291	9,191
Interest income	3,000	3,000	7,975	4,975
Total revenues	<u>1,836,400</u>	<u>1,899,862</u>	<u>1,869,944</u>	<u>(29,918)</u>
<b><u>Expenditures</u></b>				
General government	771,004	720,068	781,887	(61,819)
Public safety	519,250	469,320	414,573	54,747
Public works	345,360	341,096	284,191	56,905
Debt service	350,100	350,100	350,100	-
Capital outlay	176,000	176,000	262,693	(86,693)
Total expenditures	<u>2,161,714</u>	<u>2,056,584</u>	<u>2,093,444</u>	<u>(36,860)</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	<u>(325,314)</u>	<u>(156,722)</u>	<u>(223,500)</u>	<u>(66,778)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Insurance proceeds	-	-	437	437
Proceeds from sale of capital assets	-	-	38,155	38,155
Lease Revenue	48,000	48,000	49,644	1,644
Transfers in(out)	277,314	108,722	246,074	137,352
Total other financing sources (uses)	<u>325,314</u>	<u>156,722</u>	<u>334,310</u>	<u>177,588</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ -</u>	<u>\$ -</u>	110,810	<u>\$ 110,810</u>
<b><u>Fund Balances at Beginning of Year</u></b>			<u>1,715,489</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 1,826,299</u>	

**CITY OF EDDYVILLE, KENTUCKY**  
**FIRE PROTECTION SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Insurance license tax	\$ 160,000	\$ 170,604	\$ 204,071	\$ 33,467
Intergovernmental	54,175	54,175	40,410	(13,765)
Charges for services	-	-	75	75
Miscellaneous	-	-	3,716	3,716
Investment income	-	-	98	98
Total revenues	<u>214,175</u>	<u>224,779</u>	<u>248,370</u>	<u>23,591</u>
<b><u>Expenditures</u></b>				
Public safety	119,575	83,036	120,770	(37,734)
Capital outlay	25,000	25,000	7,801	17,199
Total expenditures	<u>144,575</u>	<u>108,036</u>	<u>128,571</u>	<u>(20,535)</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>				
	69,600	116,743	119,799	3,056
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	99	99
<b><u>Net Change in Fund Balances</u></b>				
	<u>\$ 69,600</u>	<u>\$ 116,743</u>	119,898	<u>\$ 3,155</u>
<b><u>Fund Balances at Beginning of Year</u></b>				
			<u>186,337</u>	
<b><u>Fund Balances at End of Year</u></b>				
			<u>\$ 306,235</u>	

**CITY OF EDDYVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST SIX MEASUREMENT DATES (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Non-Hazardous</u></b>						
City's proportion of the net pension liability (asset)	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	288.63%	242.67%	200.64%	208.25%	135.74%	146.86%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<b><u>Hazardous</u></b>						
City's proportion of the net pension liability (asset)	.042127%	.043182%	.035460%	.022480%		
City's proportionate share of the net pension liability (asset)	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038		
City's covered-employee payroll	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	423.11%	405.29%	256.67%	187.20%		
Plan fiduciary net position as a percentage of the total pension liability (2)	49.26%	49.80%	53.95%	57.52%		

**Note to Schedule:** *Changes in assumptions* - In the fiscal year 2018, the CERS investment rate and discount rate both decreased from 7.50% to 6.25%, the inflation rate decreased from 3.25% to 2.30%, and the estimated salary increases decreased from 4.00% to 3.05%. In the fiscal year 2016, the CERS investment rate and discount rate both decreased from 7.75% to 7.50%, the inflation rate decreased from 3.50% to 3.25%, and the estimated salary increases decreased from 4.50% to 4.00%. Additionally, the mortality tables changed from the 1983 and 1994 Group Annuity Mortality Tables to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (adjusted for males and females).

**Note to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

**Note to Schedule:** This schedule is based on the measurement date (June 30, 2018) of the collective net pension liability.

(1) This will be the same percentage for all participant employers in the CERS plan.

**CITY OF EDDYVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CITY'S CONTRIBUTIONS TO THE NET PENSION LIABILITY**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Non-Hazardous</u></b>						
Contractually required contribution	\$ 52,913	\$ 55,487	\$ 53,961	\$ 65,123	\$ 102,318	111,447
Contributions in relation to the contractually required contribution	<u>52,913</u>	<u>55,487</u>	<u>53,961</u>	<u>65,123</u>	<u>102,318</u>	<u>111,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
Contribution as a percentage of covered-employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<b><u>Hazardous</u></b>						
Contractually required contribution	\$ 59,886	\$ 52,094	\$ 51,463	\$ 52,086		
Contributions in relation to the contractually required contribution	<u>59,886</u>	<u>52,094</u>	<u>51,463</u>	<u>52,086</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311		
Contribution as a percentage of covered-employee payroll	24.87%	22.20%	21.71%	20.26%		

**Note to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

**Note to Schedule:** Amounts presented were determined as of June 30, 2018.

**CITY OF EDDYVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF**  
**THE NET OPEB LIABILITY**  
**LAST TWO MEASUREMENT DATES (1)**

	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous</u></b>		
City's proportionate share of the net OPEB liability (asset)	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 326,218	\$ 383,198
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	57.62%	52.40%
<b><u>Hazardous</u></b>		
City's proportionate share of the net OPEB liability (asset)	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 300,370	\$ 356,973
City's covered employee payroll	\$ 240,796	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	64.24%	59.00%

**Note to Schedule:** *Changes in assumptions* - In the fiscal year 2018, the CERS investment rate decreased from 7.50% to 6.25%, the discount rate decreased from 6.89% to 5.84%, the inflation rate decreased from 3.25% to 2.30%, and the estimated salary increases decreased from 4.00% to 3.05%.

**Note to Schedule:** This schedule is based on the measurement date (June 30, 2018) of the collective net OPEB liability.

**Note to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

(1) This will be the same percentage for all participant employees in the CERS plan.

**CITY OF EDDYVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN**  
**SCHEDULE OF CITY'S CONTRIBUTIONS TO THE NET OPEB LIABILITY**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous</u></b>		
Statutorily required contributions	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<u>17,161</u>	<u>18,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	5.26%	4.70%
<b><u>Hazardous</u></b>		
Statutorily required contributions	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<u>25,211</u>	<u>21,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	10.47%	9.35%

**Notes to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the Service will present information as it becomes available.

**Note to Schedule:** Amounts presented were determined as of June 30, 2018.

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	Special Revenue Funds			Total Non-Major Governmental Funds
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	
<b>Assets</b>				
Investments	\$ -	\$ -	\$ 8,480	\$ 8,480
Receivables	-	9,082	68	9,150
Intergovernmental receivables	5,986	-	-	5,986
Restricted assets				
Cash equivalents	-	-	15,635	15,635
Investments	-	-	42,599	42,599
<b>Total Assets</b>	<b>\$ 5,986</b>	<b>\$ 9,082</b>	<b>\$ 66,782</b>	<b>\$ 81,850</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 37	\$ 37
Total Liabilities	\$ -	\$ -	\$ 37	\$ 37
<b>Fund Balances</b>				
Restricted for				
Cemetery fund	-	-	66,745	66,745
Municipal aid	5,986	-	-	5,986
Committed for				
Alcoholic beverage control	-	9,082	-	9,082
Total Fund Balances	5,986	9,082	66,745	81,813
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,986</b>	<b>\$ 9,082</b>	<b>\$ 66,782</b>	<b>\$ 81,850</b>



**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds	Total Other Governmental Funds		
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	Governmental Funds
<b>Revenues</b>				
Regulatory Fee	\$ -	\$ 92,915	\$ -	\$ 92,915
Intergovernmental Cemetery	50,565	-	-	50,565
Interest income	-	-	4,800	4,800
Total Revenues	<u>50,565</u>	<u>92,915</u>	<u>5,540</u>	<u>149,020</u>
<b>Expenditures</b>				
Public safety	-	100,625	-	100,625
Public works	50,602	-	-	50,602
Cemetery maintenance	-	-	15,210	15,210
Total Expenditures	<u>50,602</u>	<u>100,625</u>	<u>15,210</u>	<u>166,437</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(37)	(7,710)	(9,670)	(17,417)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	6,658	1,719	8,377
<b>Net Change in Fund Balances</b>	(37)	(1,052)	(7,951)	(9,040)
<b>Fund Balances - Beginning of Year</b>	6,023	10,134	74,696	90,853
<b>Fund Balances - End of Year</b>	<u>\$ 5,986</u>	<u>\$ 9,082</u>	<u>\$ 66,745</u>	<u>\$ 81,813</u>

**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**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**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eddyville, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Eddyville, Kentucky's basic financial statements, and have issued our report thereon dated February 3, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Item 2019-1 and Item 2019-2).

Compliance and other Matters

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

We also noted certain matters that we reported to management of the City of Eddyville, Kentucky, in a separate letter dated February 3, 2020.

Purpose of this Report

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

A handwritten signature in black ink that reads "Jessica Daniel, CPA". The signature is written in a cursive style with a large, looping initial "J".

Eddyville, Kentucky  
February 3, 2020

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**2019-1: Segregation of Duties**

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

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

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

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

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

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

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

**2019-2: Audit Adjustments**

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.

# ATTACHMENT 7-2

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

**CITY OF EDDYVILLE, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
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**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of contributions, and schedule of proportionate share of net pension liability on pages 3-8 and 46-51 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

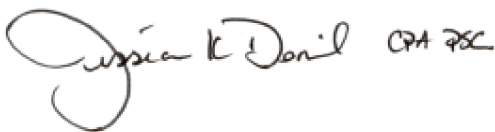
*Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and schedules or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2021 on our consideration of the City of Eddyville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eddyville, Kentucky's internal control over financial reporting and compliance.



Eddyville, Kentucky  
April 2, 2021

**CITY OF EDDYVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

The City of Eddyville, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's financial activities for the year ended June 30, 2020. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

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

**FINANCIAL HIGHLIGHTS**

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for the fiscal year ended June 30, 2020:

- The total assets and deferred outflows of resources of the City exceed its total liabilities and deferred inflows of resources at the close of the 2020 fiscal year by \$10,945,407 (Net Position). Of this amount, \$1,704,208 represents the unrestricted net position.
- The City's total net position increased by \$142,270 during the year. Governmental activities increased the City's net position by \$396,997, and business-type activities decreased the City's net position by \$254,727.
- As of June 30, 2020, the City's governmental funds reported combined fund balances of \$2,734,666. Over 82% of this total amount, or \$2,238,664, is unassigned and available for spending at the City's discretion.
- As of June 30, 2020, unassigned fund balances for the General Fund were \$2,238,664.
- The City's total long-term debt obligations decreased by \$591,118 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water, sewer, and parks. The government-wide financial statements can be found on pages 9-11 of this report.

### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

The City of Eddyville maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Fire Protection Fund which are considered to be major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 12-15.

## **Proprietary Funds**

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

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

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Park Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 16-19 of this report.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

## **Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 46-51. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53 and 54 of this report.

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

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

The government-wide financial statements reports that during the year ending June 30, 2020, the City received \$168,815 in operating and capital grants. Revenue from taxes decreased approximately \$20,298 from June 30, 2019 to \$1,767,022. Expenses directly related to programs offered by the city decreased \$154,762 to \$3,635,585. The Statement of Activities reflects the current year increase in net position of \$142,270.

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

**CITY OF EDDYVILLE, KENTUCKY'S NET POSITION**

Assets and Deferred Outflows of Resources	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 3,733,713	\$ 3,118,114
Noncurrent assets, net	<u>13,012,397</u>	<u>13,354,601</u>
Total Assets	<u>16,746,110</u>	<u>16,472,715</u>
Deferred outflows of resources	<u>704,394</u>	<u>814,644</u>
Total Assets and Deferred Outflows of Resources	<u>17,450,504</u>	<u>17,287,359</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,723,474	4,907,076
Other liabilities	<u>1,020,925</u>	<u>902,984</u>
Total Liabilities	<u>5,744,399</u>	<u>5,810,060</u>
Deferred inflows of resources	<u>760,698</u>	<u>674,162</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,505,097</u>	<u>6,484,222</u>
Net Position:		
Invested in capital assets net of related debt	8,686,314	8,742,325
Restricted	554,885	553,246
Unrestricted	<u>1,704,208</u>	<u>1,507,566</u>
Total Net Position	<u>\$ 10,945,407</u>	<u>\$ 10,803,137</u>

**CITY OF EDDYVILLE, KENTUCKY  
CHANGES IN NET POSITION**

	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,630,076	\$ 1,642,607
Grants and contributions	168,815	204,275
General revenues:		
Taxes	1,767,022	1,787,320
Other	31,370	29,807
Insurance proceeds	20,377	18,059
Gain (loss) on disposal of capital assets	-	18,655
Other financial assistance	127,429	-
Investment earnings	<u>32,766</u>	<u>31,780</u>
Total revenues	<u>3,777,855</u>	<u>3,732,503</u>
<b>Expenses</b>		
General government	747,274	797,306
Public safety	989,759	1,062,657
Public works	393,731	433,001
Cemetery	12,324	15,251
Interest expense	9,383	19,308
Business-type activities	<u>1,483,114</u>	<u>1,463,022</u>
Total Expenses	<u>3,635,585</u>	<u>3,790,545</u>
Change in net position	142,270	(58,042)
Net position - beginning, restated	<u>10,803,137</u>	<u>10,861,179</u>
Net position - ending	<u>\$ 10,945,407</u>	<u>\$ 10,803,137</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated expenditures to exceed revenues by \$183,582. Transfers from other funds were sufficient to cover the deficit. The budgeted operating revenue exceeded actual revenue by \$68,165 in the General Fund. Budgeted expenditures were greater than actual expenditures by \$360,563. The budgetary figures and actual amounts are reported in the supplementary information on page 46.

The original and final Fire Protection Fund budget passed by the city council anticipated revenues to exceed expenditures by \$82,000. The budgeted revenues exceeded actual revenues received by \$24,155 in the Fire Protection Fund. Budgeted expenditures exceeded actual expenditures by \$28,685. The budgetary figures and actual amounts are reported in the supplementary information on page 47.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City's investment in capital assets as of June 30, 2020 amounted to \$11,407,216 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2020	2019
<b>Governmental activities</b>		
Capital assets, not being depreciated		
Land	\$ 80,445	\$ 106,445
Total capital assets, not being depreciated	80,445	106,445
Capital assets, being depreciated (net):		
Infrastructure	439,808	480,477
Buildings and improvements	352,646	370,247
Machinery and equipment	489,428	637,977
Vehicles	65,037	63,223
Total capital assets, being depreciated (net)	1,346,919	1,551,924
Governmental activities capital assets, net	\$ 1,427,364	\$ 1,658,369
 <b>Business-type activities:</b>		
	2020	2019
Capital assets, not being depreciated:		
Land	\$ 58,426	\$ 58,426
Construction in progress	349,051	-
Total capital assets, not being depreciated (net)	407,477	58,426
Capital assets, being depreciated:		
Buildings and improvements	9,317,142	9,748,378
Machinery and equipment	235,441	205,147
Vehicles	19,792	34,975
Total capital assets, being depreciated (net)	9,572,375	9,988,500
Business-type activities capital assets, net	\$ 9,979,852	\$ 10,046,926

**Long-term and other debt**

At the end of the current fiscal year, the City had a total outstanding debt in the proprietary funds of \$2,720,902 respectively. General Fund debt was paid in full during fiscal year ending June 30, 2020. Interest expense for 2020 was \$9,383. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$256,108, and the remainder is scheduled to be paid out in 2037. Interest expense paid by the proprietary funds for 2020 was \$41,674. The Sewer Fund entered into a financial agreement with Kentucky Infrastructure Authority to fund the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation Project. The available funds total \$423,964. As of June 30, 2020, \$349,051 was received or receivable leaving a balance of \$74,913 to draw.

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the City of Eddyville, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to John Choat, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash equivalents	\$ 2,270,623	\$ -	\$ 2,270,623
Investments	8,484	-	8,484
Accounts receivable (net)			
Taxes	229,261	-	229,261
Fees and services	24,070	128,402	152,472
Unbilled revenue	10,361	59,447	69,808
Other receivables	121,799	5,845	127,644
Interim financing receivable	-	137,069	137,069
Intergovernmental receivables	131,209	-	131,209
Inventory	-	44,571	44,571
Prepaid expenses	14,439	5,580	20,019
Restricted assets			
Cash equivalents	31,135	488,400	519,535
Investments	23,018	-	23,018
Total current assets	<u>2,864,399</u>	<u>869,314</u>	<u>3,733,713</u>
<b>Noncurrent Assets</b>			
Lease receivable	1,605,181	-	1,605,181
Capital assets, net of depreciation	<u>1,427,364</u>	<u>9,979,852</u>	<u>11,407,216</u>
Total noncurrent assets	<u>3,032,545</u>	<u>9,979,852</u>	<u>13,012,397</u>
Total Assets	<u>5,896,944</u>	<u>10,849,166</u>	<u>16,746,110</u>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions and other postemployment benefits	<u>545,085</u>	<u>159,309</u>	<u>704,394</u>
Total Deferred Outflows of Resources	<u>545,085</u>	<u>159,309</u>	<u>704,394</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	78,692	177,747	256,439
Taxes withheld and accrued	4,983	-	4,983
Meter deposits payable	-	107,216	107,216
Accrued employee benefits	22,104	15,464	37,568
Accrued interest	-	9,560	9,560
Interim financing	-	349,051	349,051
Long-term debt due in one year	-	256,108	256,108
Total current liabilities	<u>105,779</u>	<u>915,146</u>	<u>1,020,925</u>
<b>Non-current liabilities</b>			
Net pension and other post employment benefit liabilities	1,976,586	631,145	2,607,731
Long-term debt due after one year	-	2,115,743	2,115,743
Total non-current liabilities	<u>1,976,586</u>	<u>2,746,888</u>	<u>4,723,474</u>
Total Liabilities	<u>2,082,365</u>	<u>3,662,034</u>	<u>5,744,399</u>

See accompanying notes to financial statements.



**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	23,954	-	23,954
Unearned interest revenue	348,784	-	348,784
Related to pensions and other postemployment benefits	241,257	146,703	387,960
Total Deferred Inflows of Resources	613,995	146,703	760,698
<b><u>Net Position</u></b>			
Net invested in capital assets	1,427,364	7,258,950	8,686,314
Restricted for			
Debt service	-	488,400	488,400
Public safety	462	-	462
Public works	3,780	-	3,780
Cemetery fund	62,243	-	62,243
Unrestricted	2,251,820	(547,612)	1,704,208
Total Net Position	\$ 3,745,669	\$ 7,199,738	\$ 10,945,407

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities	Total
<b>Governmental activities</b>						
General government	\$ 747,274	\$ 255,346	\$ -	\$ -	\$ (491,928)	\$ (491,928)
Public safety	989,759	6,375	115,645	-	(867,739)	(867,739)
Public works	393,731	-	50,170	-	(343,561)	(343,561)
Cemetery maintenance	12,324	-	-	-	(12,324)	(12,324)
Interest on long-term debt	9,383	-	-	-	(9,383)	(9,383)
Total governmental activities	2,152,471	261,721	165,815	-	(1,724,935)	(1,724,935)
<b>Business-type activities</b>						
Water system	693,489	795,973	-	-	-	102,484
Sewer system	745,869	565,762	-	-	-	(180,107)
Park	43,756	6,620	-	3,000	-	(34,136)
Total business-type activities	1,483,114	1,368,355	-	3,000	-	(111,759)
Total Primary Government	\$ 3,635,585	\$ 1,630,076	\$ 165,815	\$ 3,000	\$ (1,724,935)	\$ (1,836,694)
<b>General Revenues and Transfers</b>						
Taxes						
Occupational					646,644	646,644
Property taxes					398,189	398,189
Insurance premium tax					255,758	255,758
Restaurant tax					139,239	139,239
Franchise tax					127,975	127,975
Regulatory fees					91,901	91,901
Other taxes					68,072	68,072
Business license					39,244	39,244
Miscellaneous					23,570	23,570
Cemetery					7,800	7,800
Interest income					32,766	32,766
Other financial assistance					127,429	127,429
Insurance Proceeds					3,182	3,182
Transfers					160,163	160,163
Total General Revenues and Transfers					2,121,932	1,978,964
<b>Change in Net Position</b>					396,997	142,270
<b>Net Position at Beginning of Year</b>					3,348,672	10,803,137
<b>Net Position at End of Year</b>					\$ 3,745,669	\$ 10,945,407

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash equivalents	\$ 2,017,870	\$ 252,753	\$ -	\$ 2,270,623
Investments	-	-	8,484	8,484
Accounts Receivable				
Taxes	229,261	-	-	229,261
Fees and services	24,070	-	-	24,070
Other receivables	66,579	44,543	10,677	121,799
Unbilled revenue	10,361	-	-	10,361
Intergovernmental receivable	127,429	-	3,780	131,209
Prepaid expenses	14,439	-	-	14,439
Due from other funds	-	101,655	-	101,655
Restricted assets				
Cash equivalents	462	-	30,673	31,135
Investments	-	-	23,018	23,018
<b><u>Total Assets</u></b>	<b><u>\$ 2,490,471</u></b>	<b><u>\$ 398,951</u></b>	<b><u>\$ 76,632</u></b>	<b><u>\$ 2,966,054</u></b>
<b><u>Liabilities, Deferred Inflows, and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 73,652	\$ 5,040	\$ -	\$ 78,692
Accrued payroll and related expenses	4,983	-	-	4,983
Accrued employee benefits	22,104	-	-	22,104
Due to other funds	101,655	-	-	101,655
Total Liabilities	202,394	5,040	-	207,434
<b><u>Deferred Inflows of Resources</u></b>				
Property Taxes	23,954	-	-	23,954
<b><u>Fund Balances</u></b>				
Nonspendable				
Prepaid expenses	14,439	-	-	14,439
Restricted for				
Cemetery fund	-	-	62,243	62,243
Municipal aid	-	-	3,780	3,780
Public safety	462	-	-	462
Committed for				
Fire protection fund	-	393,911	-	393,911
Alcoholic beverage control	-	-	10,609	10,609
Assigned for				
Employee Benefits	10,558	-	-	10,558
Unassigned	2,238,664	-	-	2,238,664
Total Fund Balances	2,264,123	393,911	76,632	2,734,666
<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>	<b><u>\$ 2,490,471</u></b>	<b><u>\$ 398,951</u></b>	<b><u>\$ 76,632</u></b>	<b><u>\$ 2,966,054</u></b>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**Fund Balances - Total Governmental Funds** \$ 2,734,666

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

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

Governmental capital assets	\$ 3,736,519	
Less accumulated depreciation	<u>(2,309,155)</u>	1,427,364

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

Lease receivable		1,605,181
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Unearned interest income	(348,784)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,672,758)</u>	<u>(2,021,542)</u>

**Net Position of Governmental Activities** **\$ 3,745,669**

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 646,644	\$ -	\$ -	\$ 646,644
Property	398,189	-	-	398,189
Insurance premiums	92,934	162,824	-	255,758
Restaurant	139,239	-	-	139,239
Franchise	127,975	-	-	127,975
Regulatory fees	-	-	91,901	91,901
Other	68,072	-	-	68,072
License and permits	39,244	-	-	39,244
Charges for services	255,346	6,375	-	261,721
Intergovernmental	82,328	35,000	48,487	165,815
Miscellaneous	23,470	100	-	23,570
Investment income	12,030	1,046	620	13,696
Cemetery	-	-	7,800	7,800
Total Revenues	<u>1,885,471</u>	<u>205,345</u>	<u>148,808</u>	<u>2,239,624</u>
<b><u>Expenditures</u></b>				
Current				
General government	764,947	-	-	764,947
Public safety	380,058	118,815	109,195	608,068
Public works	242,524	-	50,693	293,217
Cemetery maintenance	-	-	11,699	11,699
Debt service	350,200	-	-	350,200
Capital outlay	38,926	-	13,147	52,073
Total Expenditures	<u>1,776,655</u>	<u>118,815</u>	<u>184,734</u>	<u>2,080,204</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>	<u>108,816</u>	<u>86,530</u>	<u>(35,926)</u>	<u>159,420</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Other financial assistance	127,429	-	-	127,429
Lease revenue	44,125	-	-	44,125
Proceeds from sale of capital assets	26,000	-	-	26,000
Insurance proceeds	3,182	-	-	3,182
Transfers in	128,272	1,146	30,745	160,163
Total Other Financing Sources (Uses)	<u>329,008</u>	<u>1,146</u>	<u>30,745</u>	<u>360,899</u>
<b><u>Net Change in Fund Balances</u></b>	<u>437,824</u>	<u>87,676</u>	<u>(5,181)</u>	<u>520,319</u>
<b><u>Fund Balances at Beginning of Year</u></b>	<u>1,826,299</u>	<u>306,235</u>	<u>81,813</u>	<u>2,214,347</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 2,264,123</u>	<u>\$ 393,911</u>	<u>\$ 76,632</u>	<u>\$ 2,734,666</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Net Change in Fund Balance - Total Governmental Funds** \$ 520,319

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

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

Expenditures for capital assets	\$ 52,073	
Less current year depreciation	<u>(257,077)</u>	(205,004)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. (26,000)

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

Lease receivable payments	(44,125)	
Recognized unearned income	<u>19,070</u>	(25,055)

The net pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources are an obligation of the City of Eddyville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. (208,078)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide Statement of Activities. 340,000

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. 815

**Changes in Net Position of Governmental Activities** **\$ 396,997**

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables, net				
Fees and services	73,955	54,447	-	128,402
Unbilled revenue	34,971	24,476	-	59,447
Other	-	5,845	-	5,845
Interim financing	-	137,069	-	137,069
Inventory	39,351	5,220	-	44,571
Prepaid expenses	2,790	2,790	-	5,580
Restricted assets				
Cash equivalents	488,400	-	-	488,400
Total Current Assets	<u>639,467</u>	<u>229,847</u>	<u>-</u>	<u>869,314</u>
<b><u>Noncurrent Assets</u></b>				
Property, plant, and equipment, net of accumulated depreciation	4,499,535	5,369,000	111,317	9,979,852
Total Noncurrent Assets	<u>4,499,535</u>	<u>5,369,000</u>	<u>111,317</u>	<u>9,979,852</u>
Total Assets	<u>5,139,002</u>	<u>5,598,847</u>	<u>111,317</u>	<u>10,849,166</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Related to pensions and other postemployment benefits	80,564	78,745	-	159,309
Total deferred outflows of resources	<u>80,564</u>	<u>78,745</u>	<u>-</u>	<u>159,309</u>
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	14,211	163,536	-	177,747
Meter deposits payable	107,216	-	-	107,216
Accrued employee benefits	7,732	7,732	-	15,464
Accrued interest payable	8,935	625	-	9,560
Interim financing	-	349,051	-	349,051
Long-term debt due in one year	195,960	60,148	-	256,108
Total Current Liabilities	<u>334,054</u>	<u>581,092</u>	<u>-</u>	<u>915,146</u>
<b><u>Noncurrent Liabilities</u></b>				
Net pension and other postemployment benefit liabilities	315,573	315,572	-	631,145
Long-term debt due after one year	1,123,507	992,236	-	2,115,743
Total Noncurrent Liabilities	<u>1,439,080</u>	<u>1,307,808</u>	<u>-</u>	<u>2,746,888</u>
Total Liabilities	<u>1,773,134</u>	<u>1,888,900</u>	<u>-</u>	<u>3,662,034</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Related to pensions and other postemployment benefits	<u>73,352</u>	<u>73,351</u>	<u>-</u>	<u>146,703</u>
Total deferred inflows of resources	<u>73,352</u>	<u>73,351</u>	<u>-</u>	<u>146,703</u>
<b><u>NET POSITION</u></b>				
Net invested in capital assets	3,180,068	3,967,565	111,317	7,258,950
Restricted for debt service	488,400	-	-	488,400
Unrestricted	<u>(295,388)</u>	<u>(252,224)</u>	<u>-</u>	<u>(547,612)</u>
Total Net Position	<u><u>\$ 3,373,080</u></u>	<u><u>\$ 3,715,341</u></u>	<u><u>\$ 111,317</u></u>	<u><u>\$ 7,199,738</u></u>

See accompanying notes to financial statements.



**CITY OF EDDYVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 795,973	\$ 565,762	\$ 6,457	\$ 1,368,192
Miscellaneous	-	-	163	163
Total Operating Revenues	<u>795,973</u>	<u>565,762</u>	<u>6,620</u>	<u>1,368,355</u>
<b><u>Operating Expenses</u></b>				
Depreciation	254,902	219,670	16,180	490,752
Repairs and maintenance	57,836	167,899	3,450	229,185
Employee benefits	98,298	100,469	-	198,767
Utilities	73,085	104,742	7,667	185,494
Salaries and wages	79,905	79,082	9,553	168,540
Insurance	32,827	26,605	3,590	63,022
Materials and supplies	39,424	8,467	991	48,882
Miscellaneous	3,918	18,995	980	23,893
Taxes	6,486	6,117	957	13,560
Gasoline, oil and grease	4,965	3,274	-	8,239
Office supplies	7,131	52	-	7,183
Loan fees	1,176	2,194	-	3,370
Cost of sales	-	-	388	388
Bad debt expense	55	110	-	165
Total Operating Expenses	<u>660,008</u>	<u>737,676</u>	<u>43,756</u>	<u>1,441,440</u>
<b><u>Income (Loss) from Operations</u></b>	<u>135,965</u>	<u>(171,914)</u>	<u>(37,136)</u>	<u>(73,085)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Insurance proceeds	1,552	15,643	-	17,195
Grant proceeds	-	-	3,000	3,000
Interest expense	(33,481)	(8,193)	-	(41,674)
Total Nonoperating Revenues (Expenses)	<u>(31,929)</u>	<u>7,450</u>	<u>3,000</u>	<u>(21,479)</u>
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	104,036	(164,464)	(34,136)	(94,564)
Transfers (out)	(182,651)	(9,780)	-	(192,431)
Transfers in	-	-	32,268	32,268
<b><u>Change in Net Position</u></b>	<u>(78,615)</u>	<u>(174,244)</u>	<u>(1,868)</u>	<u>(254,727)</u>
<b><u>Net Position at Beginning of Year</u></b>	<u>3,451,695</u>	<u>3,889,585</u>	<u>113,185</u>	<u>7,454,465</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 3,373,080</u>	<u>\$ 3,715,341</u>	<u>\$ 111,317</u>	<u>\$ 7,199,738</u>

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 808,427	\$ 569,680	\$ 7,607	\$ 1,385,714
Cash payments to suppliers for goods and services	(290,319)	(381,581)	(21,347)	(693,247)
Cash payments to employees for services	(80,970)	(86,457)	(11,729)	(179,156)
Net Cash Provided (Used) By Operating Activities	<u>437,138</u>	<u>101,642</u>	<u>(25,469)</u>	<u>513,311</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	-	-	32,268	32,268
Transfers out	(182,651)	(9,780)	-	(192,431)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(182,651)</u>	<u>(9,780)</u>	<u>32,268</u>	<u>(160,163)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Grant proceeds	-	-	3,000	3,000
Insurance proceeds	1,552	9,798	-	11,350
Principal paid on debt	(191,420)	(59,700)	-	(251,120)
Proceeds from long-term debt	-	211,982	-	211,982
Acquisition of property, plant and equipment	(27,584)	(245,713)	(9,999)	(283,296)
Interest paid on debt	(34,674)	(8,229)	-	(42,903)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(252,126)</u>	<u>(91,862)</u>	<u>(6,999)</u>	<u>(350,987)</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	2,361	-	(200)	2,161
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	486,039	-	200	486,239
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 488,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,400</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u></b>				
<b><u>By Operating Activities</u></b>				
Operating income (loss)	\$ 135,965	\$ (171,914)	\$ (37,136)	\$ (73,085)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	254,902	219,670	16,180	490,752
Change in assets and liabilities				
Decrease (increase) in accounts receivable	11,413	3,918	987	16,318
Decrease (increase) in prepayments	1,129	1,129	-	2,258
Decrease (increase) in inventory	27	(641)	-	(614)
Decrease (increase) in deferred outflows of resources	(5,555)	(3,728)	-	(9,283)
Increase (decrease) in accounts payable	(5,042)	9,958	(3,262)	1,654
Increase (decrease) in accrued liabilities	870	(428)	(2,238)	(1,796)
Increase (decrease) in deferred pension liability	8,698	34,730	-	43,428
Increase (decrease) in deferred inflows of resources	34,731	8,698	-	43,429
Net Cash Provided (Used) by Operating Activities	<u>\$ 437,138</u>	<u>\$ 101,392</u>	<u>\$ (25,469)</u>	<u>\$ 513,061</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current Assets - Cash	\$ -	\$ -	\$ -	\$ -
Restricted Assets - Cash	488,400	-	-	488,400
Total Cash	<u>\$ 488,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,400</u>
<b><u>Non-Cash Investing, Capital and Related Financing Activities - none</u></b>				

See accompanying notes to financial statements.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eddyville, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), public works (highway and streets), water distribution, wastewater treatment, cemetery maintenance, and community pool and park.

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

**A. The Financial Reporting Entity**

The City of Eddyville, Kentucky operates under a Mayor/Council form of government. The City Council consists of six members elected at large by the citizens on a non-partisan basis. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity, and related relationships with the City.

**B. Basis of Presentation**

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

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

**Fund Financial Statements**

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

***Governmental Funds***

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

**General Fund**

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

**Fire Protection Fund**

The Fire Protection Fund is used to account for the provision of fire protection services to the residents of the City. Revenues consist of insurance premium taxes assigned to this fund.

***Proprietary Funds***

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

**Water Fund**

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

**Sewer Fund**

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

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

**D. Budgets**

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

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the original adopted budget for year ended June 30, 2020 .

**E. Cash and Investments**

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

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

**F. Receivables**

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

**G. Allowance for Uncollectible Accounts**

The City elects to not recognize an allowance for uncollectible accounts. Bad debts are removed utilizing the direct write-off method.

**H. Inventory**

Material and supplies inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. The cost is recorded as an asset at the time of purchase and as expenditures when used (consumption method).

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

**J. Restricted Assets**

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	12-50 years
Utility Plant	30-33 years
Machinery and Equipment	3-10 years

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

**L. Unearned Revenue**

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

**M. Compensated Absences**

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation and personal time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacations, sick, and other leave benefits that meet the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences attributable to employees' services already rendered
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year. Vacation leave is eligible as follows:

- a. 1st year - days granted equals the number of months the employee has worked during the previous calendar year times 83%.
- b. 2nd year through 10th year - 10 days
- c. 11th year and above - 15 days.

Employees are urged to take their annual leave each year. However, for leave that is not taken during the year, employees will be paid in December for up to 10 days. Vacation rights are vested after satisfactory completion of the first six months of employment. Only full time employees are eligible for vacation benefits. When an employee gives a proper notice of two weeks all accrued annual vacation leave shall be paid at the employee's current rate of pay.

Each full time employee is granted personal leave credit at the rate of one working day per month. Any personal days granted and unused in excess of 24 total days may be exchanged at the end of the calendar year at the rate of the employee's current rate of hourly pay. There is no limit to the number of personal leave days an employee may accrue. However, the exchange for year-end pay shall be based on the current year and in no case shall be more than 12 personal days per year to be exchanged for payment.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**N. Long-Term Debt**

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

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

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

**O. Bond Discounts/Issuance Costs**

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

**P. Interfund Transactions**

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

**Q. Estimates**

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

**R. Pensions**

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

**S. Postemployment Benefits Other Than Pensions (OPEB)**

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



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**T. Net Position**

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

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

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

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

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

**U. Deferred Outflows of Resources and Deferred Inflows of Resources**

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

Deferred outflows related to pensions and other post employment benefits are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other postemployment

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other postemployment liabilities in the year ending June 30, 2021. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

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

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

Deferred inflows related to pensions are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions results from net differences between expected and actual earnings on pension plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

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

**V. Recent Accounting Pronouncements**

As of June 30, 2020, the GASB has issued the following pronouncements not yet required to be adopted by the City.

*GASB Statement No. 95*

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

*GASB Statement No. 87*

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

*GASB Statement No. 89*

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

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**W. Subsequent Events**

The City has evaluated subsequent events through April 2, 2021, the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization (:WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. However, the City is expected to receive approximately \$127,429 from the CARES Act Funding to assist with COVID-19 related expenses. It is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations, if any.

**2. LEGAL COMPLIANCE**

**Deficit Fund Balances/Net Position**

No funds had a deficit fund balance or deficit net position during the fiscal year ending June 30, 2020.

**3. DEPOSITS AND INVESTMENTS**

**A. Statement of Net Position Cash Presentation**

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

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 800	\$ 2,269,823	\$ -	\$ 2,270,623
Investments	-	8,484	-	8,484
Restricted assets				
Cash equivalents	-	519,535	-	519,535
Investments	-	23,018	-	23,018
Total	<u>\$ 800</u>	<u>\$ 2,820,860</u>	<u>\$ -</u>	<u>\$ 2,821,660</u>

**B. Deposits**

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$2,821,660 the bank balance was \$2,854,141. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$1,044,279 was held in an Insured Cash Sweep Account (ICS), \$500,000 was covered by federal depository insurance, and \$1,309,862 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

**C. Investments**

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

*Interest Rate Risk*

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

**CITY OF EDDYVILLE, KENTUCKY**  
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*Credit Risk and Custodial Risk*

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

*Concentrations of Credit Risk*

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

*Identification*

Investment	Maturities	Fair Value
Certificates of Deposit:		
Cemetery Fund - Rolling Hills Branch Banking & Trust	11/5/2020	\$ 8,484
Cemetery Trust - Hickory Grove Fredonia Valley Bank	3/31/2022	<u>23,018</u>
Total Investments		<u>\$ 31,502</u>

**4. PROPERTY TAX**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Lyon County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Lyon County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2020, taxes were levied on October 31, 2019 and payable on December 1, 2019. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.341 per \$100 of assessed valuation of real property, and \$0.2407 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

**5. RESTRICTED NET POSITION**

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Water Fund as of June 30, 2020.

<u>Cemetery Restricted Assets</u>	
Cemetery funds	\$ 62,243
<u>Public Safety Restricted Assets</u>	
Municipal Road Aid funds	3,780
<u>Public Works Restricted Assets</u>	
Federal Forfeiture Treasury funds	462
<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	<u>488,400</u>
Total Restricted Net Position	<u>\$ 554,885</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. CAPITAL ASSETS**

**Governmental Activities**

A summary of capital assets at June 30, 2020 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 106,445	\$ -	\$ (26,000)	\$ 80,445
Total capital assets not being depreciated	<u>106,445</u>	<u>-</u>	<u>(26,000)</u>	<u>80,445</u>
Capital assets being depreciated:				
Infrastructure	938,246	13,147	-	951,393
Buildings and improvements	624,013	-	-	624,013
Machinery and equipment	1,778,662	13,344	-	1,792,006
Vehicles	263,081	25,581	-	288,662
Total capital assets being depreciated	<u>3,604,002</u>	<u>52,072</u>	<u>-</u>	<u>3,656,074</u>
Less accumulated depreciation for:				
Infrastructure	(457,769)	(53,816)	-	(511,585)
Buildings and improvements	(253,766)	(17,601)	-	(271,367)
Machinery and equipment	(1,140,685)	(161,893)	-	(1,302,578)
Vehicles	(199,858)	(23,767)	-	(223,625)
Total accumulated depreciation	<u>(2,052,078)</u>	<u>(257,077)</u>	<u>-</u>	<u>(2,309,155)</u>
Total capital assets being depreciated, net	<u>1,551,924</u>	<u>(205,005)</u>	<u>-</u>	<u>1,346,919</u>
Governmental activities capital assets, net	<u>\$ 1,658,369</u>	<u>\$ (205,005)</u>	<u>\$ (26,000)</u>	<u>\$ 1,427,364</u>

**Business-type Activities**

A summary of property, plant, and equipment at June 30, 2020 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 58,426	\$ -	\$ -	\$ 58,426
Construction in progress	-	349,051	-	349,051
Total capital assets not being depreciated	<u>58,426</u>	<u>349,051</u>	<u>-</u>	<u>407,477</u>
Capital assets being depreciated:				
Plant and facilities	18,553,162	-	-	18,553,162
Vehicles	116,642	-	-	116,642
Machinery and equipment	696,473	74,628	-	771,101
Total capital assets being depreciated	<u>19,366,277</u>	<u>74,628</u>	<u>-</u>	<u>19,440,905</u>
Less accumulated depreciation for:				
Plant and facilities	(8,804,785)	(431,235)	-	(9,236,020)
Vehicles	(81,667)	(15,183)	-	(96,850)
Machinery and equipment	(491,326)	(44,334)	-	(535,660)
Total accumulated depreciation	<u>(9,377,778)</u>	<u>(490,752)</u>	<u>-</u>	<u>(9,868,530)</u>
Total capital assets being depreciated, net	<u>9,988,499</u>	<u>(416,124)</u>	<u>-</u>	<u>9,572,375</u>
Business-type activities capital assets, net	<u>\$ 10,046,925</u>	<u>\$ (67,073)</u>	<u>\$ -</u>	<u>\$ 9,979,852</u>

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

Governmental activities	
Public safety	\$ 129,622
General government	13,560
Public works	113,270
Cemetery	625
Total depreciation expense - governmental activities	<u>\$ 257,077</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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Business-type activities	
Water	\$ 254,902
Sewer	219,670
Park	<u>16,180</u>
Total depreciation expense - business type activities	<u>\$ 490,752</u>

**7. LEASE RECEIVABLE**

On October 24, 2003, the City entered into a lease agreement with the City of Kuttawa to lease the gas transmission lines for \$2,188,000, of which \$648,000 is recognized as unearned interest income. The lease agreement calls for monthly lease payments determined by usage. The City of Kuttawa will pay to Eddyville \$0.50 per 1,000 cubic feet of gas transported by Kuttawa in the Eddyville gas lines. Payments will be based on the meter reading at the delivery point. The term of the agreement is 20 years, at which time the parties may extend the agreement for a subsequent term or term of 20 years. At the conclusion of the lease, legal ownership of the gas transmission lines vests in the City of Kuttawa. Due to the payment structure a five year payment schedule cannot be presented.

	Balance June 30, 2019	Payments Received	Interest Recognized	Balance June 30, 2020
Lease Receivable	\$ 1,649,306	\$ 44,125	\$ -	\$ 1,605,181
Unearned Interest	<u>(367,854)</u>	<u>-</u>	<u>(19,070)</u>	<u>(348,784)</u>
Lease Receivable, net	<u>\$ 1,281,452</u>	<u>\$ 44,125</u>	<u>\$ 19,070</u>	<u>\$ 1,256,397</u>

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2020. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

**9. LONG-TERM DEBT**

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

*Business-Type Activities*

As of June 30, 2020, the leases, notes, and bonds payable from proprietary fund resources consisted of the following:

Interim financing debt	\$ 349,051
Current portion proprietary debt	256,108
Noncurrent portion proprietary debt	<u>2,115,743</u>
Total Proprietary Debt Obligations	<u>\$ 2,720,902</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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*General Bond Obligation*

General Obligation Refunding Bonds, Series 2011 - On January 6, 2011, the City issued General Obligation Refunding Bonds, Series 2011 to refund existing debt for both the general fund and the sewer fund. The bond issue calls for semiannual interest payments at interest rates ranging from 2% to 3% and varying annual principal payments with the final payment due in 2020. The issue is backed by the full faith and credit of the City. The bonds were issued in the amount of \$2,850,000. The bond was paid in full during the fiscal year ending June 30, 2020.

*Proprietary Leases*

Branch Banking and Trust Company

The City entered into a leasing agreement on February 1, 2018, with Branch Banking and Trust Company to refund and redeem the outstanding Water Revenue Bonds, Series 1966A and 1996B issued to finance improvements to the City's water system. The aggregate principal amount is \$1,100,000 and bears an interest rate of 2.45%. The lease calls for semi-annual principal and interest payments with the final payment being due February 1, 2027. The City is required to maintain the sinking fund and depreciation fund created under the provisions of the 1996 Bond Legislation. The principal balance of the lease obligation at June 30, 2020, was \$797,641 of which \$105,796 is due in one year.

*Proprietary Notes Payable*

Kentucky Infrastructure Authority (KIA) Fund F Loan - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2020 was \$521,826 of which \$90,164 is due in one year.

Kentucky Infrastructure Authority (KIA) Revolving Loan Fund A

On January 1, 2016, the City entered into a financial agreement with Kentucky Infrastructure Authority for sewer improvements not to exceed \$1,400,000. The funds were provided through the Federally Assisted Wastewater Revolving Loan Fund Program Fund A. The total project was completed and draws totaled \$1,398,134, of which 10% (\$139,813) of the principal was forgiven. The loan is to be repaid over 20 years with an interest rate of .75% and an administrative fee of .20%. The loan requires semiannual principal and interest payments. The City is required to establish a Maintenance and Replacement Reserve where the City is to deposit \$3,500 per year until the account reaches \$35,000. The balance of \$35,000 is to be maintained for the life of the loan. Principal payments began June 1, 2018. The principal balance at June 30, 2020 was \$1,052,384 of which \$60,148 is due in one year.

Kentucky Infrastructure Authority (KIA) Sewer Rehabilitation Project

On February 20, 2020, the City entered into a financial agreement with Kentucky Infrastructure Authority for the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation project. The planning and design loan will finance the evaluation of the collection system. The term is five years at a 2.5 percent interest rate. As of June 30, 2020, \$349,051 of the total \$423,964 was received or receivable.

**CITY OF EDDYVILLE, KENTUCKY**  
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**10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

A summary of changes in government-wide activities debt for the year ended June 30, 2020 follows:

	<u>Balance June 30, 2019</u>	<u>Issuance/ (Reductions)</u>	<u>Balance June 30, 2020</u>	<u>Due in One Year</u>
<i><u>Governmental Activities</u></i>				
Bonds payable:				
Refunding Bonds, Series 2011	\$ 340,000	\$ (340,000)	\$ -	\$ -
Total Governmental Activities	<u>340,000</u>	<u>(340,000)</u>	<u>-</u>	<u>-</u>
<i><u>Business Type Activities</u></i>				
Interim financing:				
KIA Fund A Loan - Sewer Rehab	\$ -	\$ 349,051	\$ 349,051	\$ -
Leases payable:				
BB&T Governmental	\$ 900,891	\$ (103,250)	\$ 797,641	\$ 105,796
Notes Payable				
KIA Fund F Loan	609,995	(88,169)	521,826	90,164
KIA Fund A Loan	1,112,083	(59,699)	1,052,384	60,148
Total Business-Type Activities	<u>\$ 2,622,969</u>	<u>\$ (251,118)</u>	<u>\$ 2,371,851</u>	<u>\$ 256,108</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2020, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 256,108	\$ 41,805	\$ 297,913
2022	261,114	36,042	297,156
2023	267,026	30,131	297,157
2024	273,091	24,066	297,157
2025	279,313	17,843	297,156
2026-2030	605,043	30,931	635,974
2031-2035	329,023	10,617	339,640
2036-2038	101,133	759	101,892
Total	<u>\$ 2,371,851</u>	<u>\$ 192,194</u>	<u>\$ 2,564,045</u>

Total interest expensed for the year ended June 30, 2020:

Governmental activities	\$ 9,383
Business-type activities	<u>41,674</u>
	<u>\$ 51,057</u>



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**11. LITIGATION AND CONTINGENCIES**

**Litigation**

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

**Contingencies**

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2020 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

**12. COMMITMENTS**

Kentucky Law Enforcement Foundation Program (KLEFP) funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualifications.

The City entered into a contract with Waste Path Services, LLC (Contractor) beginning April 14, 2019 to provide sanitation services. The City is responsible for billing and collecting fees. Amounts collected for services, less a 10% franchise fee, and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly. This is a three (3) year contract expiring April 13, 2022, with an option to renew for a period of one (1) additional year.

**13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES**

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

Primary government operating transfers at June 30, 2020 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<b><u>General Fund</u></b>	\$ -	\$ 128,272	\$ (128,272)
<b><u>Special Revenue Funds</u></b>			
Fire protection	-	1,146	(1,146)
Cemetery fund	-	11,924	(11,924)
Alcohol beverage fund	-	18,821	(18,821)
<b><u>Business-type funds</u></b>			
Water fund	182,651	-	182,651
Sewer fund	9,780	-	9,780
Park board	-	32,268	(32,268)
Total	<u>\$ 192,431</u>	<u>\$ 192,431</u>	<u>\$ -</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**14. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

A summary of change in deferred outflows/inflows of resources is as follows:

	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>
<b>Pensions</b>				
<i>Deferred outflows of resources:</i>				
Deferred pension contributions	\$ 112,799	\$ 160,125	\$ (112,799)	\$ 160,125
Changes in proportion and differences between employer and contributions and proportionate share of contributions	115,445	-	(96,395)	19,050
Differences between expected and actual experience	111,792	-	(38,946)	72,846
Change in assumptions	200,468	4,962	-	205,430
Difference between projected and actuarial earnings	<u>81,546</u>	<u>-</u>	<u>(46,119)</u>	<u>35,427</u>
Pension related deferred outflows	<u>\$ 622,050</u>	<u>\$ 165,087</u>	<u>\$ (294,259)</u>	<u>\$ 492,878</u>
<i>Deferred inflows of resources:</i>				
Changes in proportion and differences between employer and contributions and proportionate share of contributions	\$ 24,980	\$ 87,725	\$ -	\$ 112,705
Differences between expected and actual experience	13,782	-	(9,939)	3,843
Difference between projected and actuarial earnings	<u>55,073</u>	<u>11,546</u>	<u>-</u>	<u>66,619</u>
Pension related deferred inflows	<u>\$ 93,835</u>	<u>\$ 99,271</u>	<u>\$ (9,939)</u>	<u>\$ 183,167</u>
<b>Other Post-employment Benefits (OPEB)</b>				
	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>
<i>Deferred outflows of resources:</i>				
Deferred OPEB contributions	\$ 42,372	\$ 44,191	\$ (42,372)	\$ 44,191
Subsidy	3,232	1,661	-	4,893
Difference between projected and actuarial earnings	-	3,569	-	3,569
Change in assumptions	<u>146,991</u>	<u>11,872</u>	<u>-</u>	<u>158,863</u>
OPEB related deferred outflows	<u>\$ 192,595</u>	<u>\$ 61,293</u>	<u>\$ (42,372)</u>	<u>\$ 211,516</u>
<i>Deferred inflows of resources:</i>				
Changes in proportion and differences between employer and contributions and proportionate share of contributions	\$ 13,747	\$ 35,017	\$ -	\$ 48,764
Differences between expected and actual experience	65,553	58,244	-	123,797
Change in assumptions	1,456	-	(434)	1,022
Difference between projected and actuarial earnings	<u>47,462</u>	<u>-</u>	<u>(16,252)</u>	<u>31,210</u>
OPEB related deferred inflows	<u>\$ 128,218</u>	<u>\$ 93,261</u>	<u>\$ (16,686)</u>	<u>\$ 204,793</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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**15. EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

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

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

**Nonhazardous members:**

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

**Hazardous members:**

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service an any age
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
	Reduced retirement	25 years of service and any age Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
	Reduced retirement	25 years of service and any age Not available

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*Contributions.* State statute requires active members to contribute a percentage of creditable compensation based on the tier.

	<b><u>Nonhazardous</u></b>		<b><u>Hazardous</u></b>
	<b><u>Required Contributions</u></b>		<b><u>Required Contributions</u></b>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2020 the employer contribution rate were 19.30% and 30.06%, respectively, of member's nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. City employer CERS contributions for the year ended June 30, 2020 were \$160,125 which was 100% funded. The requirement consisted of \$64,494 and \$95,631 for nonhazardous and hazardous classified employees, respectively.

*Refunds of contributions.* Employees who have terminated service as a contribution member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For Tier 1 employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2%, for Tier 2 employees participating on or after September 1, 2008, but before January 1, 2014, interest will be credited at a rate of 2.5%. For Tier 3 employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At June 30, 2020, the City reported a liability of \$2,077,510 (\$909,584 nonhazardous and \$1,167,926 hazardous) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled-forward from the valuation date to June 30, 2019, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the plan year ended June 30, 2019. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2019, the City's proportion was .012933% for nonhazardous classified employees and .042281% for hazardous classified employees.

The following is a summary of the City's CERS net pension liability:

City's nonhazardous proportionate share of the CERS net pension liability	\$ 909,584
City's hazardous proportionate share of the CERS net pension liability	<u>1,167,926</u>
Total CERS net pension liability associated with the City	<u>\$ 2,077,510</u>

**CITY OF EDDYVILLE, KENTUCKY**  
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*Pension expense.* As a result of its requirement to contribute to CERS, the City recognized pension expenses of \$375,033 (\$83,525 nonhazardous and \$291,508 hazardous) for the year ended June 30, 2020. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Non-hazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 23,224	\$ 3,843	\$ 49,622	\$ -
Net differences between projected and actual investment earnings	17,460	32,123	17,967	34,496
Change of assumption	92,060	-	113,370	-
Changes in proportion and differences between employer contributions and share of contributions	467	104,606	18,583	8,099
Contributions subsequent to the measurement date	<u>64,494</u>	<u>-</u>	<u>95,631</u>	<u>-</u>
Totals	<u>\$ 197,705</u>	<u>\$ 140,572</u>	<u>\$ 295,173</u>	<u>\$ 42,595</u>

The \$160,125 (\$64,494 nonhazardous and \$95,631 hazardous) reported as deferred outflows of resources related to pension 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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2021	\$ 18,198	\$ 110,022
June 30, 2022	(19,818)	33,436
June 30, 2023	(6,781)	12,437
June 30, 2024	<u>1,040</u>	<u>1,052</u>
Total	<u>\$ (7,361)</u>	<u>\$ 156,947</u>

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

*Actuarial assumptions.* The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>Non-Hazardous</u></b>	<b><u>Hazardous</u></b>
Inflation	2.30%	2.30%
Payroll Growth Rate	3.30% - 10.30%	3.55% - 19.05%
Investment rate of return,	6.25%	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 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The 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. The current long-term inflation assumption is 2.30% per annum.

The target allocation and best estimates of arithmetic real rates of return for each major class at June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
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%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100%</u>	

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

*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 net 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:

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
The City's proportionate share of the net pension liability			
Non-Hazardous	\$ 1,137,631	\$ 909,584	\$ 719,508
Hazardous	\$ 1,460,170	\$ 1,167,926	\$ 928,329

*Payables to the pension plan.* At June 30, 2020, the financial statements include \$12,793 in contractually required employee and employer contributions primarily for the month ended June 30, 2020. The obligation was paid within prescribed time limits.

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

**Other Post-Employment Benefit Plans (OPEB)**

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

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

The CERS Non-hazardous and Hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB 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 health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2020, the employer contribution rate was 4.76% and 9.52%, respectively of members' non-hazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2020, were \$44,191, which consisted of \$15,475 and \$28,716 for nonhazardous and hazardous classified employees, respectively.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited into an account created for the payment of health insurance benefits under 26 USC Section 104(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to the 401(h) account is non-refundable.

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

*Implicit Subsidy* The fully-insured premiums KRS pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date. The City's implicit subsidy for the year ended June 30, 2020 was \$4,669 for nonhazardous employees and \$224 for hazardous employees.

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources* At June 30, 2020, the City reported a net OPEB liability of \$530,221 (\$217,460 nonhazardous and \$312,761 hazardous) for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using generally accepted actuarial principles. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2019, the City's proportion was .012929% for nonhazardous classified employees and .042273% for hazardous classified employees.

The following is a summary of the City's CERS net OPEB liability:

City's nonhazardous proportionate share of the CERS net OPEB liability	\$ 217,460
City's hazardous proportionate share of the CERS net OPEB liability	<u>312,761</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 530,221</u></u>

For the year ended June 30, 2020, the City recognized OPEB expense of \$62,354 (\$15,614 nonhazardous and \$46,740 hazardous). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-hazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ -	\$ 65,613	\$ -	\$ 58,184
Net differences between projected and actual investment earnings	1,432	11,091	2,137	20,119
Change of assumption	64,348	430	94,515	592
Changes in proportion and differences between employer contributions and share of contributions	-	44,263	-	4,501
Contributions subsequent to the measurement date, including implicit subsidy	<u>20,144</u>	<u>-</u>	<u>28,940</u>	<u>-</u>
Totals	<u><u>\$ 85,924</u></u>	<u><u>\$ 121,397</u></u>	<u><u>\$ 125,592</u></u>	<u><u>\$ 83,396</u></u>



**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

The \$49,084 (\$20,144 nonhazardous and \$28,940 hazardous) reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and the implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Non-Hazardous	Hazardous
June 30, 2021	\$ (10,316)	\$ 18,111
June 30, 2022	(10,316)	1,476
June 30, 2023	(7,245)	(7,509)
June 30, 2024	(13,108)	1,178
June 30, 2025	(11,926)	-
June 30, 2026	(2,706)	-
Total	\$ (55,617)	\$ 13,256

*Actuarial Assumptions* The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2019 actuarial valuation was based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.30% - 19.05%, varies by service
Investment Rate of Return	6.25%
<u>Healthcare Trend Rates</u>	
Pre-65	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.68 % and 5.69 % for non-hazardous and hazardous

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 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 EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

The target allocation and best estimates of arithmetic nominal rates of return for each major class at June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
US Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100%</u>	

**Discount Rate** The single discount rate of 5.68% for nonhazardous and 5.69% for hazardous were used to measure the total OPEB liability as of June 30, 2019. For both hazardous and nonhazardous groups, the single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a long-term municipal bond rate of 3.62% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. 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 subsidy is not currently being included in the calculation of the System's actuarially 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. The projection of cash flows used to determine the single discount rate assumes that the funds received 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).

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the City's proportionate share of the nonhazardous net OPEB liability calculated using the discount rate of 5.68%, as well as what the City's proportionate share of the nonhazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	1% Decrease 4.68%	Current Discount Rate 5.68%	1% Increase 6.68%
The City's proportionate share of the net OPEB liability			
Non-Hazardous	\$ 291,307	\$ 217,460	\$ 156,615

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.69%, as well as what the City's proportionate share of the hazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69) or 1-percentage-point higher (6.69%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.69%</u>	Current Discount Rate 5.69%	1% Increase <u>6.69%</u>
Hazardous	\$ 436,365	\$ 312,761	\$ 212,431

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate.* The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

The City's proportionate share of the net pension liability	1% Decrease <u>          </u>	Current Healthcare Cost Trend Rate <u>          </u>	1% Increase <u>          </u>
Non-Hazardous	\$ 161,726	\$ 217,460	\$ 285,044
Hazardous	\$ 217,624	\$ 312,761	\$ 428,823

*Payables to the pension plan.* At June 30, 2020, the financial statements include \$2,029 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2020. The obligation was paid within prescribed time limits.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EDDYVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budgeted</u>	<u>Budgeted</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 660,000	\$ 660,000	\$ 646,644	\$ (13,356)
Property	400,000	400,000	398,189	(1,811)
Restaurant	135,000	135,000	139,239	4,239
Franchise	97,550	97,550	127,975	30,425
Insurance premiums	80,000	80,000	92,934	12,934
Other	50,800	50,800	68,072	17,272
License and permits	36,200	36,200	39,244	3,044
Charges for services	241,700	241,700	255,346	13,646
Intergovernmental	134,911	134,911	82,328	(52,583)
Miscellaneous	109,975	109,975	23,470	(86,505)
Interest income	7,500	7,500	12,030	4,530
Total revenues	<u>1,953,636</u>	<u>1,953,636</u>	<u>1,885,471</u>	<u>(68,165)</u>
<b><u>Expenditures</u></b>				
General government	784,841	784,841	764,947	19,894
Public safety	536,212	536,212	380,058	156,154
Public works	420,865	420,865	242,524	178,341
Debt service	355,300	355,300	350,200	5,100
Capital outlay	40,000	40,000	38,926	1,074
Total expenditures	<u>2,137,218</u>	<u>2,137,218</u>	<u>1,776,655</u>	<u>360,563</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	<u>(183,582)</u>	<u>(183,582)</u>	<u>108,816</u>	<u>292,398</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Other financial assistance	-	-	127,429	127,429
Lease revenue	48,000	48,000	44,125	(3,875)
Proceeds from sale of capital assets	-	-	26,000	26,000
Insurance proceeds	-	-	3,182	3,182
Transfers in(out)	135,582	135,582	128,272	(7,310)
Total other financing sources (uses)	<u>183,582</u>	<u>183,582</u>	<u>329,008</u>	<u>(145,426)</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>437,824</u>	<u>\$ 146,972</u>
<b><u>Fund Balances at Beginning of Year</u></b>			<u>1,826,299</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 2,264,123</u>	

**CITY OF EDDYVILLE, KENTUCKY**  
**FIRE PROTECTION SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Insurance license tax	\$ 190,000	\$ 190,000	\$ 162,824	\$ (27,176)
Intergovernmental	34,500	34,500	35,000	500
Charges for services	5,000	5,000	6,375	1,375
Miscellaneous	-	-	100	100
Investment income	-	-	1,046	1,046
Total revenues	<u>229,500</u>	<u>229,500</u>	<u>205,345</u>	<u>(24,155)</u>
<b><u>Expenditures</u></b>				
Public safety	122,500	122,500	118,815	3,685
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>147,500</u>	<u>147,500</u>	<u>118,815</u>	<u>28,685</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>				
	82,000	82,000	86,530	4,530
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	1,146	1,146
<b><u>Net Change in Fund Balances</u></b>				
	<u>\$ 82,000</u>	<u>\$ 82,000</u>	87,676	<u>\$ 5,676</u>
<b><u>Fund Balances at Beginning of Year</u></b>			<u>306,235</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 393,911</u>	

**CITY OF EDDYVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST SEVEN MEASUREMENT DATES (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Non-Hazardous</b>							
City's proportion of the net pension liability (asset)	.012933%	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 909,584	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	344.37%	288.63%	242.67%	200.64%	208.25%	135.74%	146.86%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<b>Hazardous</b>							
City's proportion of the net pension liability (asset)	.042281%	.042127%	.043182%	.035460%	.022480%		
City's proportionate share of the net pension liability (asset)	\$ 1,167,926	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038		
City's covered-employee payroll	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	550.57%	423.11%	405.29%	256.67%	187.20%		
Plan fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.80%	53.95%	57.52%		

**Note to Schedule:** The amounts presented were determined as of the measurement date June 30, 2019.

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

**CITY OF EDDYVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CITY'S CONTRIBUTIONS TO THE NET PENSION LIABILITY**  
**LAST SEVEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Non-Hazardous</b>							
Contractually required contribution	\$ 64,494	\$ 52,913	\$ 55,487	\$ 53,961	\$ 65,123	\$ 102,318	111,447
Contributions in relation to the contractually required contribution	<u>64,494</u>	<u>52,913</u>	<u>55,487</u>	<u>53,961</u>	<u>65,123</u>	<u>102,318</u>	<u>111,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
Contribution as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

**Hazardous**

Contractually required contribution	\$ 95,631	\$ 59,886	\$ 52,094	\$ 51,463	\$ 52,086		
Contributions in relation to the contractually required contribution	<u>95,631</u>	<u>59,886</u>	<u>52,094</u>	<u>51,463</u>	<u>52,086</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311		
Contribution as a percentage of covered-employee payroll	30.06%	24.87%	22.20%	21.71%	20.26%		

**Note to Schedule:**

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2020**

**Changes of Benefit Term:**

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

**Change of assumptions:**

The assumed investment rate of return was 6.25%

The assumed rate of inflation was 2.30%

Payroll Growth assumption was 3.30% - 10.30% (nonhazardous) and 3.55% - 19.05% (hazardous), varies by service.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, was determined using these updated assumptions.

The mortality table used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.



**CITY OF EDDYVILLE, KENTUCKY  
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
LAST THREE MEASUREMENT DATES (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous</u></b>			
City's proportionate share of the net OPEB liability (asset)	0.012929%	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 217,460	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 264,126	\$ 326,218	\$ 383,198
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	82.33%	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	60.44%	57.62%	52.40%
<b><u>Hazardous</u></b>			
City's proportionate share of the net OPEB liability (asset)	0.042273%	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 312,761	\$ 312,761	\$ 356,973
City's covered employee payroll	\$ 212,130	\$ 212,130	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	147.44%	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	64.44%	64.24%	59.00%

**Note to Schedule:** The amounts presented were determined as of the measurement date June 30, 2019.

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

**CITY OF EDDYVILLE, KENTUCKY  
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN  
SCHEDULE OF CITY'S CONTRIBUTIONS TO THE NET OPEB LIABILITY  
LAST THREE FISCAL YEARS**

	2020	2019	2018
<b><u>Nonhazardous</u></b>			
Statutorily required contributions	\$ 15,475	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<u>15,475</u>	<u>17,161</u>	<u>18,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 264,126	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	4.76%	5.26%	4.70%

<b><u>Hazardous</u></b>			
Statutorily required contributions	\$ 28,716	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<u>28,716</u>	<u>25,211</u>	<u>21,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 212,130	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	9.52%	10.47%	9.35%

**Note to Schedule:**

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2020**

***Changes of Benefit Term:***

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

***Change of assumptions:***

The assumed investment rate of return was 6.25%

The assumed rate of inflation was 2.30%

Payroll Growth assumption was 3.30% - 10.30% (nonhazardous) and 3.55% - 19.05% (hazardous), varies by service.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, was determined using these updated assumptions.

The mortality table used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	Special Revenue Funds				Total
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	Non-Major Governmental Funds	
<b>Assets</b>					
Investments	\$ -	\$ -	\$ 8,484	\$ 8,484	
Receivables	-	10,609	68	10,677	
Intergovernmental receivables	3,780	-	-	3,780	
Restricted assets					
Cash equivalents	-	-	30,673	30,673	
Investments	-	-	23,018	23,018	
<b>Total Assets</b>	<b>\$ 3,780</b>	<b>\$ 10,609</b>	<b>\$ 62,243</b>	<b>\$ 76,632</b>	
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	
<b>Fund Balances</b>					
Restricted for					
Cemetery fund	-	-	62,243	62,243	
Municipal aid	3,780	-	-	3,780	
Committed for					
Alcoholic beverage control	-	10,609	-	10,609	
Total Fund Balances	3,780	10,609	62,243	76,632	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,780</b>	<b>\$ 10,609</b>	<b>\$ 62,243</b>	<b>\$ 76,632</b>	

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds				Total
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	Other Governmental Funds	
<b>Revenues</b>					
Regulatory fee	\$ -	\$ 91,901	\$ -	\$ -	\$ 91,901
Intergovernmental Cemetery	48,487	-	-	-	48,487
Interest income	-	-	7,800	-	7,800
Total Revenues	48,487	91,901	8,420	620	148,808
<b>Expenditures</b>					
Public safety	-	109,195	-	-	109,195
Public works	50,693	-	-	-	50,693
Cemetery maintenance	-	-	11,699	-	11,699
Capital outlay	-	-	13,147	-	13,147
Total Expenditures	50,693	109,195	24,846	-	184,734
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,206)	(17,294)	(16,426)	(35,926)	
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	18,821	11,924	-	30,745
<b>Net Change in Fund Balances</b>	(2,206)	1,527	(4,502)	(5,181)	
<b>Fund Balances - Beginning of Year</b>	5,986	9,082	66,745	81,813	
<b>Fund Balances - End of Year</b>	\$ 3,780	\$ 10,609	\$ 62,243	\$ 76,632	

**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**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**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eddyville, Kentucky as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Eddyville, Kentucky's basic financial statements, and have issued our report thereon dated April 2, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Item 2020-1 and Item 2020-2).

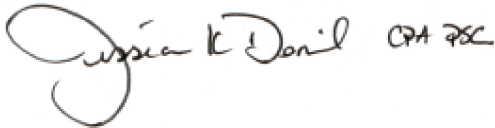
### Compliance and other Matters

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

We also noted certain matters that we reported to management of the City of Eddyville, Kentucky, in a separate letter dated April 2, 2021.

### Purpose of this Report

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

Handwritten signature of Jessica K. Donil CPA FSC. The signature is written in cursive and includes the text "Jessica K Donil CPA FSC" to the right of the signature.

Eddyville, Kentucky  
April 2, 2021

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-1: Segregation of Duties**

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

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

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

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

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

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

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

**2020-2: Audit Adjustments**

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.



# ATTACHMENT 7-3

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of contributions, and schedule of proportionate share of net pension liability on pages 3-8 and 45-53 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

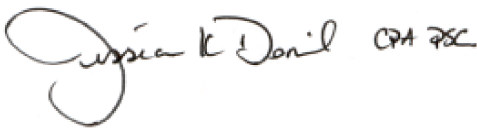
### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and schedules or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2022 on our consideration of the City of Eddyville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eddyville, Kentucky's internal control over financial reporting and compliance.



Eddyville, Kentucky  
March 24, 2022

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

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

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

**FINANCIAL HIGHLIGHTS**

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

- The total assets and deferred outflows of resources of the City exceed its total liabilities and deferred inflows of resources at the close of the 2021 fiscal year by \$11,483,031 (Net Position). Of this amount, \$2,665,806 represents the unrestricted net position.
- The City's total net position increased by \$572,726 during the year. Governmental activities increased the City's net position by \$917,961, and business-type activities decreased the City's net position by \$345,235.
- As of June 30, 2021, the City's governmental funds reported combined fund balances of \$3,873,861. Over 88% of this total amount, or \$3,414,478, is unassigned and available for spending at the City's discretion.
- As of June 30, 2021, unassigned fund balances for the General Fund were \$3,414,478.
- The City decreased the existing long-term debt obligations by \$256,109 from the prior year.
- New debt issued was received through interim financing of \$715,302 for the sewer project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water, sewer, and parks. The government-wide financial statements can be found on pages 9-11 of this report.

### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

The City of Eddyville maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Fire Protection Fund which are considered to be major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 12-15.

### **Proprietary Funds**

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

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

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Park Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 16-19 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

### **Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 45-53. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54 and 55 of this report.

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

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

The government-wide financial statements reports that during the year ending June 30, 2021, the City received \$107,641 in operating and capital grants. Revenue from taxes increased approximately \$112,827 from June 30, 2020 to \$1,879,849. Expenses directly related to programs offered by the city decreased \$351,506 to \$3,282,472. The Statement of Activities reflects the current year increase in net position of \$572,726.



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

**CITY OF EDDYVILLE, KENTUCKY'S NET POSITION**

Assets and Deferred Outflows of Resources	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 4,624,544	\$ 3,733,713
Noncurrent assets, net	<u>13,240,460</u>	<u>13,012,397</u>
Total Assets	<u>17,865,004</u>	<u>16,746,110</u>
Deferred outflows of resources	<u>535,405</u>	<u>704,394</u>
Total Assets and Deferred Outflows of Resources	<u>18,400,409</u>	<u>17,450,504</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	4,368,458	4,723,474
Other liabilities	<u>1,710,999</u>	<u>1,020,925</u>
Total Liabilities	<u>6,079,457</u>	<u>5,744,399</u>
Deferred inflows of resources	<u>837,921</u>	<u>760,698</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,917,378</u>	<u>6,505,097</u>
Net Position		
Invested in capital assets net of related debt	8,500,070	8,686,314
Restricted	317,155	554,885
Unrestricted	<u>2,665,806</u>	<u>1,704,208</u>
Total Net Position	<u>\$ 11,483,031</u>	<u>\$ 10,945,407</u>

**CITY OF EDDYVILLE, KENTUCKY  
CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,629,170	\$ 1,630,076
Grants and contributions	107,641	168,815
General revenues		
Taxes	1,879,849	1,767,022
Other	24,403	31,370
Insurance proceeds	24,517	20,377
Gain (loss) on disposal of capital assets	7,457	-
Other financial assistance	146,740	127,429
Investment earnings	<u>35,421</u>	<u>32,766</u>
Total revenues	<u>3,855,198</u>	<u>3,777,855</u>
<b>Expenses</b>		
General government	764,645	747,274
Public safety	787,974	989,759
Public works	338,480	393,731
Cemetery	11,526	12,324
Interest expense	-	9,383
Business-type activities	<u>1,379,847</u>	<u>1,483,114</u>
Total Expenses	<u>3,282,472</u>	<u>3,635,585</u>
Change in net position	572,726	142,270
Net position - beginning, restated	<u>10,910,305</u>	<u>10,803,137</u>
Net position - ending	<u>\$ 11,483,031</u>	<u>\$ 10,945,407</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated revenues to exceed expenditures by \$27,194. Actual operating revenues exceeded budgeted revenues by \$383,121 in the General Fund. Budgeted expenditures were greater than actual expenditures by \$276,580. The budgetary figures and actual amounts are reported in the supplementary information on page 45.

The original and final Fire Protection Fund budget passed by the city council anticipated expenditures to exceed revenues by \$144,220. The Fire Protection Fund had sufficient financing sources to cover the deficit. The actual revenues exceeded budgeted revenues received by \$19,366. Budgeted expenditures exceeded actual expenditures by \$103,241. The budgetary figures and actual amounts are reported in the supplementary information on page 46.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City's investment in capital assets as of June 30, 2021 amounted to \$11,680,165 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2021	2020
<b>Governmental activities</b>		
Capital assets, not being depreciated		
Land	\$ 80,445	\$ 80,445
Total capital assets, not being depreciated	80,445	80,445
Capital assets, being depreciated (net)		
Infrastructure	441,788	439,808
Buildings and improvements	335,129	352,646
Machinery and equipment	477,813	489,428
Vehicles	44,536	65,037
Total capital assets, being depreciated (net)	1,299,266	1,346,919
Governmental activities capital assets, net	\$ 1,379,711	\$ 1,427,364
 <b>Business-type activities:</b>		
	2021	2020
Capital assets, not being depreciated		
Land	\$ 58,426	\$ 58,426
Construction in progress	1,064,554	349,051
Total capital assets, not being depreciated (net)	1,122,980	407,477
Capital assets, being depreciated		
Buildings and improvements	8,884,689	9,312,061
Machinery and equipment	242,985	239,492
Vehicles	49,800	19,792
Total capital assets, being depreciated (net)	9,177,474	9,571,345
Business-type activities capital assets, net	\$ 10,300,454	\$ 9,978,822

**Long-term and other debt**

At the end of the current fiscal year, the City had a total outstanding debt in the proprietary funds of \$2,115,740 respectively. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$261,209, and the remainder is scheduled to be paid out in 2038. Interest expense paid by the proprietary funds for 2021 was \$47,175. The Sewer Fund entered into a financial agreement with Kentucky Infrastructure Authority to fund the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation Project. The first phase of the project was completed during fiscal year ending June 30, 2021. The funds drawn total \$423,964. This amount was combined with the loan for phase two of the project to create a total project cost of \$2,745,064. As of June 30, 2021, \$1,064,353 has been drawn from the open balance, leaving a balance of \$1,680,711 available to draw.

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the City of Eddyville, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to John Choat, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash equivalents	\$ 3,589,504	\$ -	\$ 3,589,504
Accounts receivable (net)			
Taxes	186,227	-	186,227
Fees and services	24,070	132,494	156,564
Unbilled revenue	11,713	68,970	80,683
Other receivables	115,911	-	115,911
Interim financing receivable	-	133,719	133,719
Intergovernmental receivables	5,612	-	5,612
Inventory	-	44,849	44,849
Restricted assets			
Cash equivalents	37,373	250,807	288,180
Investments	23,295	-	23,295
Total current assets	<u>3,993,705</u>	<u>630,839</u>	<u>4,624,544</u>
<b>Noncurrent Assets</b>			
Lease receivable	1,560,295	-	1,560,295
Capital assets, net of depreciation	<u>1,379,711</u>	<u>10,300,454</u>	<u>11,680,165</u>
Total noncurrent assets	<u>2,940,006</u>	<u>10,300,454</u>	<u>13,240,460</u>
Total Assets	<u>6,933,711</u>	<u>10,931,293</u>	<u>17,865,004</u>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	228,591	79,362	307,953
Related to other postemployment benefits	<u>160,610</u>	<u>66,842</u>	<u>227,452</u>
Total Deferred Outflows of Resources	<u>389,201</u>	<u>146,204</u>	<u>535,405</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	76,515	144,540	221,055
Taxes withheld and accrued	6,083	-	6,083
Meter deposits payable	-	112,412	112,412
Accrued employee benefits	21,690	15,536	37,226
Accrued interest	-	8,661	8,661
Interim financing	-	1,064,353	1,064,353
Long-term debt due in one year	<u>-</u>	<u>261,209</u>	<u>261,209</u>
Total current liabilities	<u>104,288</u>	<u>1,606,711</u>	<u>1,710,999</u>
<b>Non-current liabilities</b>			
Net pension liabilities	1,462,233	456,875	1,919,108
Net other post employment benefit liabilities	451,021	143,796	594,817
Long-term debt due after one year	<u>-</u>	<u>1,854,533</u>	<u>1,854,533</u>
Total non-current liabilities	<u>1,913,254</u>	<u>2,455,204</u>	<u>4,368,458</u>
Total Liabilities	<u>2,017,542</u>	<u>4,061,915</u>	<u>6,079,457</u>

See accompanying notes to financial statements.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	15,556	-	15,556
Unearned interest revenue	330,758	-	330,758
Related to pensions	198,495	95,543	294,038
Related to other postemployment benefits	132,033	65,536	197,569
Total Deferred Inflows of Resources	676,842	161,079	837,921
<b><u>Net Position</u></b>			
Net invested in capital assets	1,379,711	7,120,359	8,500,070
Restricted for			
Debt service	-	250,807	250,807
Public safety	462	-	462
Public works	5,612	-	5,612
Cemetery fund	60,274	-	60,274
Unrestricted	3,182,469	(516,663)	2,665,806
Total Net Position	\$ 4,628,528	\$ 6,854,503	\$ 11,483,031

See accompanying notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities	Total
<b>Governmental activities</b>						
General government	\$ 764,645	\$ 250,093	\$ -	\$ -	\$ (514,552)	\$ (514,552)
Public safety	787,974	-	52,727	-	(735,247)	(735,247)
Public works	338,480	-	50,586	-	(287,894)	(287,894)
Cemetery maintenance	11,526	-	-	-	(11,526)	(11,526)
Total governmental activities	<u>1,902,625</u>	<u>250,093</u>	<u>103,313</u>	<u>-</u>	<u>(1,549,219)</u>	<u>(1,549,219)</u>
<b>Business-type activities</b>						
Water system	726,773	813,454	1,500	-	-	88,181
Sewer system	611,758	565,398	1,500	-	-	(44,860)
Park	41,316	225	1,328	-	-	(39,763)
Total business-type activities	<u>1,379,847</u>	<u>1,379,077</u>	<u>4,328</u>	<u>-</u>	<u>-</u>	<u>3,558</u>
Total Primary Government	<u>\$ 3,282,472</u>	<u>\$ 1,629,170</u>	<u>\$ 107,641</u>	<u>\$ -</u>	<u>(1,549,219)</u>	<u>\$ 3,558</u>
<b>General Revenues and Transfers</b>						
Taxes:						
Occupational					662,899	-
Property taxes					438,987	-
Insurance premium tax					299,796	-
Restaurant tax					154,614	-
Franchise tax					109,342	-
Regulatory fees					91,524	-
Other taxes					82,462	-
Business license					40,225	-
Miscellaneous					17,203	-
Cemetery					7,200	-
Interest income					35,421	-
Other financial assistance					146,740	-
Insurance Proceeds					5,645	18,872
Proceeds from sale of capital assets					4,355	3,102
Transfers					370,767	(370,767)
Total General Revenues and Transfers					<u>2,467,180</u>	<u>(348,793)</u>
<b>Change in Net Position</b>					<u>917,961</u>	<u>(345,235)</u>
<b>Net Position at Beginning of Year</b>					<u>3,745,669</u>	<u>7,199,738</u>
<b>Prior period adjustments (See Note 15)</b>					<u>(35,102)</u>	<u>-</u>
<b>Net Position at End of Year</b>					<u>\$ 4,628,528</u>	<u>\$ 6,854,503</u>
						<u>\$ 11,483,031</u>

See accompanying notes to financial statements.

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

	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash equivalents	\$ 3,233,632	\$ 355,872	\$ -	\$ 3,589,504
Accounts receivable				
Taxes	186,227	-	-	186,227
Fees and services	24,070	-	-	24,070
Other receivables	50,050	57,078	8,783	115,911
Unbilled revenue	11,713	-	-	11,713
Intergovernmental receivable	-	-	5,612	5,612
Due from other funds	32,825	-	-	32,825
Restricted assets				
Cash equivalents	462	-	36,911	37,373
Investments	-	-	23,295	23,295
	<b><u>\$ 3,538,979</u></b>	<b><u>\$ 412,950</u></b>	<b><u>\$ 74,601</u></b>	<b><u>\$ 4,026,530</u></b>
<b><u>Liabilities, Deferred Inflows, and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 70,152	\$ 6,363	\$ -	\$ 76,515
Accrued payroll and related expenses	6,083	-	-	6,083
Accrued employee benefits	21,690	-	-	21,690
Due to other funds	-	32,825	-	32,825
Total Liabilities	<u>97,925</u>	<u>39,188</u>	<u>-</u>	<u>137,113</u>
<b><u>Deferred Inflows of Resources</u></b>				
Property taxes	<u>15,556</u>	<u>-</u>	<u>-</u>	<u>15,556</u>
<b><u>Fund Balances</u></b>				
Restricted for				
Cemetery fund	-	-	60,274	60,274
Municipal aid	-	-	5,612	5,612
Public safety	462	-	-	462
Committed for				
Fire protection fund	-	373,762	-	373,762
Alcoholic beverage control	-	-	8,715	8,715
Assigned for				
Employee benefits	10,558	-	-	10,558
Unassigned	<u>3,414,478</u>	<u>-</u>	<u>-</u>	<u>3,414,478</u>
Total Fund Balances	<u>3,425,498</u>	<u>373,762</u>	<u>74,601</u>	<u>3,873,861</u>
<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>				
	<b><u>\$ 3,538,979</u></b>	<b><u>\$ 412,950</u></b>	<b><u>\$ 74,601</u></b>	<b><u>\$ 4,026,530</u></b>

See accompanying notes to financial statements.

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

**Fund Balances - Total Governmental Funds** \$ 3,873,861

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

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

Governmental capital assets	\$ 3,902,814	
Less accumulated depreciation	<u>(2,523,103)</u>	1,379,711

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

Lease receivable		1,560,295
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Unearned interest income	(330,758)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,854,581)</u>	<u>(2,185,339)</u>

**Net Position of Governmental Activities** **\$ 4,628,528**



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

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 662,899	\$ -	\$ -	\$ 662,899
Property	438,987	-	-	438,987
Insurance premiums	101,134	198,662	-	299,796
Restaurant	154,614	-	-	154,614
Franchise	109,342	-	-	109,342
Regulatory fees	-	-	91,524	91,524
Other	82,462	-	-	82,462
License and permits	40,225	-	-	40,225
Charges for services	250,093	-	-	250,093
Intergovernmental	24,177	30,240	48,896	103,313
Miscellaneous	17,203	-	-	17,203
Investment income	13,585	1,464	2,346	17,395
Cemetery	-	-	7,200	7,200
Total Revenues	<u>1,894,721</u>	<u>230,366</u>	<u>149,966</u>	<u>2,275,053</u>
<b><u>Expenditures</u></b>				
Current				
General government	754,033	-	-	754,033
Public safety	247,590	99,359	109,734	456,683
Public works	229,389	-	-	229,389
Cemetery maintenance	-	-	11,526	11,526
Capital outlay	21,814	152,620	47,064	221,498
Total Expenditures	<u>1,252,826</u>	<u>251,979</u>	<u>168,324</u>	<u>1,673,129</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>				
	<u>641,895</u>	<u>(21,613)</u>	<u>(18,358)</u>	<u>601,924</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Other financial assistance	146,740	-	-	146,740
Lease revenue	44,866	-	-	44,866
Proceeds from sale of capital assets	4,355	-	-	4,355
Insurance proceeds	5,645	-	-	5,645
Transfers in	352,976	1,464	16,327	370,767
Total Other Financing Sources (Uses)	<u>554,582</u>	<u>1,464</u>	<u>16,327</u>	<u>572,373</u>
<b><u>Net Change in Fund Balances</u></b>	1,196,477	(20,149)	(2,031)	1,174,297
<b><u>Fund Balances at Beginning of Year</u></b>	2,264,123	393,911	76,632	2,734,666
<b><u>Restatement (See Note 15)</u></b>	<u>(35,102)</u>	<u>-</u>	<u>-</u>	<u>(35,102)</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 3,425,498</u>	<u>\$ 373,762</u>	<u>\$ 74,601</u>	<u>\$ 3,873,861</u>

See accompanying notes to financial statements.

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

**Net Change in Fund Balance - Total Governmental Funds** \$ 1,174,297

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

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

Expenditures for capital assets	\$ 221,498	
Less current year depreciation	<u>(269,150)</u>	(47,652)

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

Lease receivable payments	(44,866)	
Recognized unearned income	<u>18,026</u>	(26,840)

The net pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources are an obligation of the City of Eddyville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. (181,844)

**Changes in Net Position of Governmental Activities** **\$ 917,961**

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

	Business-type Activities Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	Total
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Receivables, net				
Fees and services	\$ 76,242	\$ 56,252	\$ -	\$ 132,494
Unbilled revenue	40,064	28,906	-	68,970
Interim financing	-	133,719	-	133,719
Inventory	42,809	2,040	-	44,849
Restricted assets				
Cash equivalents	250,807	-	-	250,807
Total Current Assets	409,922	220,917	-	630,839
<b><u>Noncurrent Assets</u></b>				
Property, plant, and equipment, net of accumulated depreciation	4,269,692	5,938,348	92,414	10,300,454
Total Noncurrent Assets	4,269,692	5,938,348	92,414	10,300,454
Total Assets	4,679,614	6,159,265	92,414	10,931,293
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Related to pensions	39,681	39,681	-	79,362
Related to other postemployment benefits	33,421	33,421	-	66,842
Total deferred outflows of resources	73,102	73,102	-	146,204
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	7,783	136,757	-	144,540
Meter deposits payable	112,412	-	-	112,412
Accrued employee benefits	7,715	7,821	-	15,536
Accrued interest payable	8,036	625	-	8,661
Interim financing	-	1,064,353	-	1,064,353
Long-term debt due in one year	200,608	60,601	-	261,209
Total Current Liabilities	336,554	1,270,157	-	1,606,711
<b><u>Noncurrent Liabilities</u></b>				
Net pension liabilities	228,438	228,437	-	456,875
Net other postemployment benefit liabilities	71,898	71,898	-	143,796
Long-term debt due after one year	922,897	931,636	-	1,854,533
Total Noncurrent Liabilities	1,223,233	1,231,971	-	2,455,204
Total Liabilities	1,559,787	2,502,128	-	4,061,915

See accompanying notes to financial statements.

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

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Related to pensions	47,772	47,771	-	95,543
Related to other postemployment benefits	32,768	32,768	-	65,536
Total deferred inflows of resources	80,540	80,539	-	161,079
<b><u>NET POSITION</u></b>				
Net invested in capital assets	3,146,187	3,881,758	92,414	7,120,359
Restricted for debt service	250,807	-	-	250,807
Unrestricted	(284,605)	(232,058)	-	(516,663)
Total Net Position	\$ 3,112,389	\$ 3,649,700	\$ 92,414	\$ 6,854,503

See accompanying notes to financial statements.

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

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 813,454	\$ 565,398	\$ 225	\$ 1,379,077
Total Operating Revenues	<u>813,454</u>	<u>565,398</u>	<u>225</u>	<u>1,379,077</u>
<b><u>Operating Expenses</u></b>				
Depreciation	260,298	229,590	18,125	508,013
Repairs and maintenance	119,029	71,149	7,795	197,973
Employee benefits	56,921	55,115	-	112,036
Utilities	74,725	102,822	3,839	181,386
Salaries and wages	85,778	85,883	88	171,749
Insurance	32,151	25,223	1,201	58,575
Materials and supplies	38,189	8,954	3,554	50,697
Miscellaneous	10,421	1,810	5,792	18,023
Taxes	6,545	6,553	6	13,104
Gasoline, oil and grease	5,522	4,011	-	9,533
Office supplies	6,960	5	-	6,965
Loan fees	999	2,703	-	3,702
Cost of sales	-	-	916	916
Total Operating Expenses	<u>697,538</u>	<u>593,818</u>	<u>41,316</u>	<u>1,332,672</u>
<b><u>Income (Loss) from Operations</u></b>	<u>115,916</u>	<u>(28,420)</u>	<u>(41,091)</u>	<u>46,405</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Insurance proceeds	1,003	17,869	-	18,872
Grant proceeds	1,500	1,500	1,328	4,328
Gain (Loss) on disposal of assets	1,551	1,551	-	3,102
Interest expense	(29,235)	(17,940)	-	(47,175)
Total Nonoperating Revenues (Expenses)	<u>(25,181)</u>	<u>2,980</u>	<u>1,328</u>	<u>(20,873)</u>
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	90,735	(25,440)	(39,763)	25,532
Transfers (out)	(351,426)	(40,201)	-	(391,627)
Transfers in	-	-	20,860	20,860
<b><u>Change in Net Position</u></b>	<u>(260,691)</u>	<u>(65,641)</u>	<u>(18,903)</u>	<u>(345,235)</u>
<b><u>Net Position at Beginning of Year</u></b>	<u>3,373,080</u>	<u>3,715,341</u>	<u>111,317</u>	<u>7,199,738</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 3,112,389</u>	<u>\$ 3,649,700</u>	<u>\$ 92,414</u>	<u>\$ 6,854,503</u>

See accompanying notes to financial statements.

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

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Cash received from customers	\$ 811,270	\$ 559,162	\$ 225	\$ 1,370,657
Cash payments to suppliers for goods and services	(359,162)	(298,260)	(22,325)	(679,747)
Cash payments to employees for services	(85,778)	(85,744)	(88)	(171,610)
Net Cash Provided (Used) By Operating Activities	<u>366,330</u>	<u>175,158</u>	<u>(22,188)</u>	<u>519,300</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers in	-	-	20,860	20,860
Transfers out	(351,426)	(40,201)	-	(391,627)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(351,426)</u>	<u>(40,201)</u>	<u>20,860</u>	<u>(370,767)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Grant proceeds	1,500	1,500	1,328	4,328
Insurance proceeds	1,003	23,714	-	24,717
Principal paid on debt	(195,960)	(60,148)	-	(256,108)
Proceeds from long-term debt	-	718,653	-	718,653
Proceeds from disposal of capital assets	1,551	1,551	-	3,102
Acquisition of property, plant and equipment	(30,455)	(802,287)	-	(832,742)
Interest paid on debt	(30,136)	(17,940)	-	(48,076)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(252,497)</u>	<u>(134,957)</u>	<u>1,328</u>	<u>(386,126)</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	<u>(237,593)</u>	<u>-</u>	<u>-</u>	<u>(237,593)</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>488,400</u>	<u>-</u>	<u>-</u>	<u>488,400</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 250,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,807</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u></b>				
<b><u>By Operating Activities</u></b>				
Operating income (loss)	\$ 115,916	\$ (28,420)	\$ (41,091)	\$ 46,405
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	260,298	229,590	18,125	508,013
Change in assets and liabilities				
Accounts receivable	(7,380)	(6,236)	-	(13,616)
Prepaid expenses	2,790	2,790	-	5,580
Inventory	(3,458)	3,180	-	(278)
Deferred outflows of resources	7,462	5,643	-	13,105
Accounts payable	(6,733)	(23,678)	778	(29,633)
Accrued liabilities	5,484	89	-	5,573
Deferred pension and OPEB liabilities	(15,237)	(14,988)	-	(30,225)
Deferred inflows of resources	7,188	7,188	-	14,376
Net Cash Provided (Used) by Operating Activities	<u>\$ 366,330</u>	<u>\$ 175,158</u>	<u>\$ (22,188)</u>	<u>\$ 519,300</u>
<b><u>Reconciliation of Total Cash</u></b>				
Current Assets - Cash	\$ -	\$ -	\$ -	\$ -
Restricted Assets - Cash	250,807	-	-	250,807
Total Cash	<u>\$ 250,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,807</u>

**Non-Cash Investing, Capital and Related Financing Activities - none**

See accompanying notes to financial statements.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eddyville, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), public works (highway and streets), water distribution, wastewater treatment, cemetery maintenance, and community pool and park.

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

**A. The Financial Reporting Entity**

The City of Eddyville, Kentucky operates under a Mayor/Council form of government. The City Council consists of six members elected at large by the citizens on a non-partisan basis. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity, and related relationships with the City.

**B. Basis of Presentation**

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

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

**Fund Financial Statements**

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

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

***Governmental Funds***

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

**General Fund**

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

**Fire Protection Fund**

The Fire Protection Fund is used to account for the provision of fire protection services to the residents of the City. Revenues consist of insurance premium taxes assigned to this fund.

***Proprietary Funds***

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

**Water Fund**

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

**Sewer Fund**

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

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



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

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

**D. Budgets**

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

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

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

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

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

**E. Cash and Investments**

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

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

**F. Receivables**

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

**G. Allowance for Uncollectible Accounts**

The City elects to not recognize an allowance for uncollectible accounts. Bad debts are removed utilizing the direct write-off method.

**H. Inventory**

Material and supplies inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. The cost is recorded as an asset at the time of purchase and as expenditures when used (consumption method).

**I. Prepaid Items**

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

**J. Restricted Assets**

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

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

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	12-50 years
Utility Plant	30-33 years
Machinery and Equipment	3-10 years

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

**L. Unearned Revenue**

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

**M. Compensated Absences**

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation and personal time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacations, sick, and other leave benefits that meet the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences attributable to employees' services already rendered
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year. Vacation leave is eligible as follows:

- a. 1st year - days granted equals the number of months the employee has worked during the previous calendar year times 83%.
- b. 2nd year through 10th year - 10 days
- c. 11th year and above - 15 days.

Employees are urged to take their annual leave each year. However, for leave that is not taken during the year, employees will be paid in December for up to 10 days. Vacation rights are vested after satisfactory completion of the first six months of employment. Only full time employees are eligible for vacation benefits. When an employee gives a proper notice of two weeks all accrued annual vacation leave shall be paid at the employee's current rate of pay.

Each full time employee is granted personal leave credit at the rate of one working day per month. Any personal days granted and unused in excess of 24 total days may be exchanged at the end of the calendar year at the rate of the employee's current rate of hourly pay. There is no limit to the number of personal leave days an employee may accrue. However, the exchange for year-end pay shall be based on the current year and in no case shall be more than 12 personal days per year to be exchanged for payment.

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

**N. Long-Term Debt**

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

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

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

**O. Bond Discounts/Issuance Costs**

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

**P. Interfund Transactions**

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

**Q. Estimates**

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

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County Employees Retirement System in the Kentucky Retirement Systems (KRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported at fair value.

**S. Postemployment Benefits Other Than Pensions (OPEB)**

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

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

**T. Net Position**

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

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

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

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

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

**U. Deferred Outflows of Resources and Deferred Inflows of Resources**

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

Deferred outflows related to pensions and other post employment benefits are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other postemployment

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

benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other postemployment liabilities in the year ending June 30, 2022. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

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

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

Deferred inflows related to pensions are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions results from net differences between expected and actual earnings on pension plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

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

**V. Recent Accounting Pronouncements**

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

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

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

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

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt

**CITY OF EDDYVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The City's management has not yet determined the effect this statement will have on the financial statements.

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

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

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

**W. Subsequent Events**

The City has evaluated subsequent events through March 24, 2022, the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It is uncertain the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations, if any.

The City signed documentation with the US Department of the Treasury to receive their portion of the Coronavirus State and Local Fiscal Recovery Funds established under the American Rescue Plan Act. According to preliminary numbers, the City is expected to receive funds totaling \$659,051 to be paid in two

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installments. The funds received must be used in compliance with section 603(c) of the Social Security Act, Treasury's regulations implementing that section, and guidance issued by Treasury regarding the foregoing. The period of performance for this award ends on December 31, 2026. Recipients may use the award funds to cover eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024.

**2. LEGAL COMPLIANCE**

**Deficit Fund Balances/Net Position**

No funds had a deficit fund balance or deficit net position during the fiscal year ending June 30, 2021.

**3. DEPOSITS AND INVESTMENTS**

**A. Statement of Net Position Cash Presentation**

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

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 800	\$ 3,588,704	\$ -	\$ 3,589,504
Investments	-	-	-	-
Restricted assets				
Cash equivalents	-	288,180	-	288,180
Investments	-	23,295	-	23,295
Total	<u>\$ 800</u>	<u>\$ 3,900,179</u>	<u>\$ -</u>	<u>\$ 3,900,979</u>

**B. Deposits**

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$3,900,979 the bank balance was \$3,916,701. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$1,404,571 was held in an Insured Cash Sweep Account (ICS), \$590,735 was covered by federal depository insurance, and \$1,756,020 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name. \$165,375 was left uncollateralized on June 30, 2021.

**C. Investments**

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

*Interest Rate Risk*

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



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*Credit Risk and Custodial Risk*

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

*Concentrations of Credit Risk*

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

*Identification*

Investment	Maturities	Fair Value
Certificates of Deposit:		
Cemetery Trust - Hickory Grove Fredonia Valley Bank	3/31/2022	23,295
Total Investments		\$ 23,295

**4. PROPERTY TAX**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Lyon County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Lyon County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2021, taxes were levied on October 31, 2020 and payable on December 1, 2020. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.32 per \$100 of assessed valuation of real property, and \$0.2922 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

**5. RESTRICTED NET POSITION**

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

<u>Cemetery Restricted Assets</u>	
Cemetery funds	\$ 60,274
<u>Public Safety Restricted Assets</u>	
Municipal Road Aid funds	5,612
<u>Public Works Restricted Assets</u>	
Federal Forfeiture Treasury funds	462
<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	250,807
Total Restricted Net Position	\$ 317,155

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**6. CAPITAL ASSETS**

**Governmental Activities**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 80,445	\$ -	\$ -	\$ 80,445
Total capital assets not being depreciated	<u>80,445</u>	<u>-</u>	<u>-</u>	<u>80,445</u>
Capital assets being depreciated:				
Infrastructure	951,393	57,158	-	1,008,551
Buildings and improvements	624,013	-	-	624,013
Machinery and equipment	1,792,006	164,339	(5,862)	1,950,483
Vehicles	288,662	-	(49,340)	239,322
Total capital assets being depreciated	<u>3,656,074</u>	<u>221,497</u>	<u>(55,202)</u>	<u>3,822,369</u>
Less accumulated depreciation for:				
Infrastructure	(511,585)	(55,178)	-	(566,763)
Buildings and improvements	(271,367)	(17,517)	-	(288,884)
Machinery and equipment	(1,302,578)	(175,954)	5,862	(1,472,670)
Vehicles	(223,625)	(20,501)	49,340	(194,786)
Total accumulated depreciation	<u>(2,309,155)</u>	<u>(269,150)</u>	<u>55,202</u>	<u>(2,523,103)</u>
Total capital assets being depreciated, net	<u>1,346,919</u>	<u>(47,653)</u>	<u>-</u>	<u>1,299,266</u>
Governmental activities capital assets, net	<u>\$ 1,427,364</u>	<u>\$ (47,653)</u>	<u>\$ -</u>	<u>\$ 1,379,711</u>

**Business-type Activities**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 58,426	\$ -	\$ -	\$ 58,426
Construction in progress	349,051	715,503	-	1,064,554
Total capital assets not being depreciated	<u>407,477</u>	<u>715,503</u>	<u>-</u>	<u>1,122,980</u>
Capital assets being depreciated:				
Plant and facilities	18,548,849	5,805	-	18,554,654
Vehicles	116,642	46,428	(21,486)	141,584
Machinery and equipment	775,413	61,909	-	837,322
Total capital assets being depreciated	<u>19,440,904</u>	<u>114,142</u>	<u>(21,486)</u>	<u>19,533,560</u>
Less accumulated depreciation for:				
Plant and facilities	(9,236,788)	(433,177)	-	(9,669,965)
Vehicles	(96,850)	(16,420)	21,486	(91,784)
Machinery and equipment	(535,921)	(58,416)	-	(594,337)
Total accumulated depreciation	<u>(9,869,559)</u>	<u>(508,013)</u>	<u>21,486</u>	<u>(10,356,086)</u>
Total capital assets being depreciated, net	<u>9,571,345</u>	<u>(393,871)</u>	<u>-</u>	<u>9,177,474</u>
Business-type activities capital assets, net	<u>\$ 9,978,822</u>	<u>\$ 321,632</u>	<u>\$ -</u>	<u>\$ 10,300,454</u>

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

Governmental activities	
Public safety	\$ 146,264
General government	13,405
Public works	109,440
Cemetery	41
Total depreciation expense - governmental activities	<u>\$ 269,150</u>

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Business-type activities	
Water	\$ 260,298
Sewer	229,590
Park	<u>18,125</u>
Total depreciation expense - business type activities	<u>\$ 508,013</u>

**7. LEASE RECEIVABLE**

On October 24, 2003, the City entered into a lease agreement with the City of Kuttawa to lease the gas transmission lines for \$2,188,000, of which \$648,000 is recognized as unearned interest income. The lease agreement calls for monthly lease payments determined by usage. The City of Kuttawa will pay to Eddyville \$0.50 per 1,000 cubic feet of gas transported by Kuttawa in the Eddyville gas lines. Payments will be based on the meter reading at the delivery point. The term of the agreement is 20 years, at which time the parties may extend the agreement for a subsequent term or term of 20 years. At the conclusion of the lease, legal ownership of the gas transmission lines vests in the City of Kuttawa. Due to the payment structure a five year payment schedule cannot be presented.

	Balance June 30, 2020	Payments Received	Interest Recognized	Balance June 30, 2021
Lease Receivable	\$ 1,605,181	\$ 44,886	\$ -	\$ 1,560,295
Unearned Interest	<u>348,784</u>	<u>-</u>	<u>18,026</u>	<u>330,758</u>
Lease Receivable, net	<u>\$ 1,953,965</u>	<u>\$ 44,886</u>	<u>\$ (18,026)</u>	<u>\$ 1,891,053</u>

**8. RISK MANAGEMENT**

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

**9. LONG-TERM DEBT**

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

*Business-Type Activities*

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

Interim financing debt	\$ 1,064,353
Current portion proprietary debt	261,209
Noncurrent portion proprietary debt	<u>1,854,535</u>
Total Proprietary Debt Obligations	<u>\$ 3,180,097</u>

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*Proprietary Leases*

**Branch Banking and Trust Company**

The City entered into a leasing agreement on February 1, 2018, with Branch Banking and Trust Company to refund and redeem the outstanding Water Revenue Bonds, Series 1966A and 1996B issued to finance improvements to the City's water system. The aggregate principal amount is \$1,100,000 and bears an interest rate of 2.45%. The lease calls for semi-annual principal and interest payments with the final payment being due February 1, 2027. The City is required to maintain the sinking fund and depreciation fund created under the provisions of the 1996 Bond Legislation. The principal balance of the lease obligation at June 30, 2021, was \$691,845 of which \$108,405 is due in one year.

*Proprietary Notes Payable*

**Kentucky Infrastructure Authority (KIA) Fund F Loan** - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2021 was \$431,661 of which \$92,204 is due in one year.

**Kentucky Infrastructure Authority (KIA) Revolving Loan Fund A**

On January 1, 2016, the City entered into a financial agreement with Kentucky Infrastructure Authority for sewer improvements not to exceed \$1,400,000. The funds were provided through the Federally Assisted Wastewater Revolving Loan Fund Program Fund A. The total project was completed and draws totaled \$1,398,134, of which 10% (\$139,813) of the principal was forgiven. The loan is to be repaid over 20 years with an interest rate of .75% and an administrative fee of .20%. The loan requires semiannual principal and interest payments. The City is required to establish a Maintenance and Replacement Reserve where the City is to deposit \$3,500 per year until the account reaches \$35,000. The balance of \$35,000 is to be maintained for the life of the loan. Principal payments began June 1, 2018. The principal balance at June 30, 2021 was \$992,236 of which \$60,600 is due in one year.

**Kentucky Infrastructure Authority (KIA) Sewer Rehabilitation Project**

On February 20, 2020, the City entered into a financial agreement with Kentucky Infrastructure Authority for the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation project. The planning and design loan will finance the evaluation of the collection system. The term is five years at a 2.5 percent interest rate. As of June 30, 2021, the total \$423,964 was received and consolidated with a new loan to fund the implementation of the project. The total funding for this project is not to exceed \$2,745,064. As of June 30, 2021, \$1,064,353 has been drawn leaving a balance of \$1,680,711 to draw.

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**10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

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

	<u>Balance June 30, 2020</u>	<u>Issuance/ (Reductions)</u>	<u>Balance June 30, 2021</u>	<u>Due in One Year</u>
<i>Business Type Activities</i>				
Interim financing				
KIA Fund A Loan - Sewer Rehab	\$ 349,051	\$ 715,302	\$ 1,064,353	\$ -
Leases payable				
BB&T Governmental	\$ 797,641	\$ (105,796)	\$ 691,845	\$ 108,405
Notes payable				
KIA Fund F Loan	521,826	(90,165)	431,661	92,204
KIA Fund A Loan	1,052,384	(60,148)	992,236	60,600
Total Business-Type Activities	<u>\$ 2,371,851</u>	<u>\$ (256,109)</u>	<u>\$ 2,115,742</u>	<u>\$ 261,209</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 261,209	\$ 35,587	\$ 296,796
2023	266,421	30,067	296,488
2024	271,752	24,424	296,176
2025	277,201	18,657	295,858
2026	232,072	12,763	244,835
2027-2031	441,756	27,996	469,752
2032-2036	331,496	10,316	341,812
2037-2038	33,835	161	33,996
Total	<u>\$ 2,115,742</u>	<u>\$ 159,971</u>	<u>\$ 2,275,713</u>

Total interest expensed for the year ended June 30, 2021

Business-type activities           \$ 47,175

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**11. LITIGATION AND CONTINGENCIES**

**Litigation**

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

**Contingencies**

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

**12. COMMITMENTS**

Kentucky Law Enforcement Foundation Program (KLEFP) funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualifications.

The City entered into a contract with Waste Path Services, LLC (Contractor) beginning April 14, 2019 to provide sanitation services. The City is responsible for billing and collecting fees. Amounts collected for services, less a 10% franchise fee, and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly. This is a three (3) year contract expiring April 13, 2022, with an option to renew for a period of one (1) additional year.

**13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES**

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

Primary government operating transfers at June 30, 2021 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<b><u>General Fund</u></b>	\$ -	\$ 352,976	\$ (352,976)
<b><u>Special Revenue Funds</u></b>			
Fire Protection	-	1,464	(1,464)
Cemetery fund	-	11	(11)
Alcohol Beverage Fund	-	16,316	(16,316)
<b><u>Business-type funds</u></b>			
Water Fund	351,426	-	351,426
Sewer Fund	40,201	-	40,201
Park Board	-	20,860	(20,860)
Total	<u>\$ 391,627</u>	<u>\$ 391,627</u>	<u>\$ -</u>

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**14. EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

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

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

**Nonhazardous members:**

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

**Hazardous members:**

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service an any age
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
	Reduced retirement	25 years of service and any age Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
	Reduced retirement	25 years of service and any age Not available

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*Contributions.* State statute requires active members to contribute a percentage of creditable compensation based on the tier.

	<b>Nonhazardous</b>		<b>Hazardous</b>
	<u>Required Contributions</u>		<u>Required Contributions</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2021 the employer contribution rate were 19.30% and 30.06%, respectively, of member's nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. City employer CERS contributions for the year ended June 30, 2021 were \$100,651 which was 100% funded. The requirement consisted of \$54,152 and \$46,499 for nonhazardous and hazardous classified employees, respectively.

*Refunds of contributions.* Employees who have terminated service as a contribution member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For Tier 1 employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2%, for Tier 2 employees participating on or after September 1, 2008, but before January 1, 2014, interest will be credited at a rate if 2.5%. For Tier 3 employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At June 30, 2021, the City reported a liability of \$1,919,108 (\$815,849 nonhazardous and \$1,103,259 hazardous) 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 June 30, 2019, rolled-forward from the valuation date to June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the plan year ended June 30, 2020. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2020, the City's proportion was .010637% for nonhazardous classified employees and .036592% for hazardous classified employees.

The following is a summary of the City's CERS net pension liability:

City's nonhazardous proportionate share of the CERS net pension liability	\$ 815,849
City's hazardous proportionate share of the CERS net pension liability	<u>1,103,259</u>
Total CERS net pension liability associated with the City	<u>\$ 1,919,108</u>



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*Pension expense.* As a result of its requirement to contribute to CERS, the City recognized pension expenses of \$240,740 (\$43,120 nonhazardous and \$197,620 hazardous) for the year ended June 30, 2021. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Non-hazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 20,345	\$ -	\$ 34,216	\$ -
Net differences between projected and actual investment earnings	35,364	14,949	41,779	16,925
Change of assumption	31,858	-	41,842	-
Changes in proportion and differences between employer contributions and share of contributions	-	155,664	1,898	106,500
Contributions subsequent to the measurement date	<u>54,152</u>	<u>-</u>	<u>46,499</u>	<u>-</u>
Totals	<u>\$ 141,719</u>	<u>\$ 170,613</u>	<u>\$ 166,234</u>	<u>\$ 123,425</u>

The \$100,651 (\$54,152 nonhazardous and \$46,499 hazardous) reported as deferred outflows of resources related to pension 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 ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2022	\$ (55,122)	\$ 13,991
June 30, 2023	(39,656)	(3,967)
June 30, 2024	3,533	(13,894)
June 30, 2025	<u>8,199</u>	<u>180</u>
Total	<u>\$ (83,046)</u>	<u>\$ (3,690)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Inflation	2.30%	2.30%
Payroll Growth Rate	3.30% - 10.30%	3.55% - 19.05%
Investment rate of return,	6.25%	6.25%

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

For CERS, Mortality rates for the period after service retirement are according to the MP-2014 mortality improvement scale using a base year of 2020 for all active and retired employees and beneficiaries. The MP-2014 mortality improvement scale using a base year of 2019 set back four years for male and female is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25)%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash	1.00%	(0.75)%
Total	<u>100.00%</u>	

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

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

*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 net 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:

The City's proportionate share of the net pension liability	1% Decrease <u>5.25%</u>	Current Discount Rate 6.25%	1% Increase <u>7.25%</u>
Non-Hazardous	\$ 1,006,119	\$ 815,849	\$ 658,298
Hazardous	\$ 1,363,471	\$ 1,103,259	\$ 890,857

*Payables to the pension plan.* At June 30, 2021, the financial statements include \$13,784 in contractually required employee and employer contributions primarily for the month ended June 30, 2021. The obligation was paid within prescribed time limits.

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

**Other Post-Employment Benefit Plans (OPEB)**

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

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

The CERS Non-hazardous and Hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB 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 health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2021, the employer contribution rate was 4.76% and 9.52%, respectively of members' non-hazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2021, were \$28,076, which consisted of \$11,719 and \$14,724 for nonhazardous and hazardous classified employees, respectively.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited into an account created for the payment of health insurance benefits under 26 USC Section 104(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to the 401(h) account is non-refundable.

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

*Implicit Subsidy* The fully-insured premiums KRS pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date. The City's implicit subsidy for the year ended June 30, 2021 was \$6,302 for nonhazardous employees and \$1,589 for hazardous employees.

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources* At June 30, 2021, the City reported a net OPEB liability of \$594,817 (\$256,779 nonhazardous and \$338,038 hazardous) for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using generally accepted actuarial principles. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2020, the City's proportion was .010634% for nonhazardous classified employees and .036580% for hazardous classified employees.

The following is a summary of the City's CERS net OPEB liability:

City's nonhazardous proportionate share of the CERS net OPEB liability	\$ 256,779
City's hazardous proportionate share of the CERS net OPEB liability	<u>338,038</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 594,817</u></u>

For the year ended June 30, 2021, the City recognized OPEB expense of \$65,997 (\$17,701 nonhazardous and \$48,296 hazardous). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-hazardous Employees		Hazardous Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ 42,902	\$ 42,936	\$ 11,600	\$ 33,757
Net differences between projected and actual investment earnings	13,774	5,240	25,031	10,025
Change of assumption	44,664	272	55,147	311
Changes in proportion and differences between employer contributions and share of contributions	-	68,579	-	36,449
Contributions subsequent to the measurement date, including implicit subsidy	<u>18,021</u>	<u>-</u>	<u>16,313</u>	<u>-</u>
Totals	<u><u>\$ 119,361</u></u>	<u><u>\$ 117,027</u></u>	<u><u>\$ 108,091</u></u>	<u><u>\$ 80,542</u></u>

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

The \$34,334 (\$18,021 nonhazardous and \$16,313 hazardous) reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and the implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Non-Hazardous	Hazardous
June 30, 2022	\$ (3,000)	\$ 5,359
June 30, 2023	(474)	(2,312)
June 30, 2024	(5,278)	5,336
June 30, 2025	(4,362)	4,318
June 30, 2026	(2,573)	(1,465)
Total	\$ (15,687)	\$ 11,236

*Actuarial Assumptions* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.30% - 19.05%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	2.45%
Discount Rate	5.34 % and 5.30 % for non-hazardous and hazardous

Mortality rates used for active members is PUB-2010 General (non-hazardous) and Public Safety (hazardous) Mortality Tables projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, 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 PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from the MP-2014 mortality scale using a base year of 2010 is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The target allocation and best estimates of arithmetic nominal rates of return for each major class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
US Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25)%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash	1.00%	(0.75)%
Total	<u>100.00%</u>	

*Discount Rate* The discount rate used to measure the total OPEB liability was 5.34% for nonhazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the City's proportionate share of the nonhazardous net OPEB liability calculated using the discount rate of 5.34%, as well as what the City's proportionate share of the nonhazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	1% Decrease	Current Discount Rate 5.34%	1% Increase
The City's proportionate share of the net OPEB liability	<u>4.34%</u>	<u>Rate 5.34%</u>	<u>6.34%</u>
Non-Hazardous	\$ 329,885	\$ 256,779	\$ 196,734

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.30%, as well as what the City's proportionate share of the hazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.30%) or 1-percentage-point higher (6.30%) than the current rate:

	1% Decrease	Current Discount Rate 5.30%	1% Increase
The City's proportionate share of the net OPEB liability	<u>4.30%</u>	<u>Rate 5.30%</u>	<u>6.30%</u>
Hazardous	\$ 458,878	\$ 338,038	\$ 240,666

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

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate.* The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

The City's proportionate share of the net pension liability	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ 198,811	\$ 256,779	\$ 327,124
Hazardous	\$ 241,572	\$ 338,038	\$ 456,635

*Payables to the pension plan.* At June 30, 2021, the financial statements include \$3,446 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2021. The obligation was paid within prescribed time limits.

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

**15. PRIOR PERIOD ADJUSTMENT**

*Correction of an error*

A prior period adjustment is being made to correct the amount recognized as CARES funding receivable.

	<u>Government-Wide</u>	<u>General Fund</u>
Net position July 1, 2020, as previously stated	\$ 3,745,669	\$ 2,264,123
CARES funding	<u>(35,102)</u>	<u>(35,102)</u>
Net position July 1, 2020, restated	<u>\$ 3,710,567</u>	<u>\$ 2,229,021</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF EDDYVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budgeted</u>	<u>Budgeted</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b><u>Revenues</u></b>				
Taxes				
Occupational	\$ 450,000	\$ 450,000	\$ 662,899	\$ 212,899
Property	400,000	400,000	438,987	38,987
Restaurant	90,000	90,000	154,614	64,614
Franchise	113,600	113,600	109,342	(4,258)
Insurance premiums	80,000	80,000	101,134	21,134
Other	56,600	56,600	82,462	25,862
License and permits	33,900	33,900	40,225	6,325
Charges for services	233,000	233,000	250,093	17,093
Intergovernmental	31,300	31,300	24,177	(7,123)
Miscellaneous	20,200	20,200	17,203	(2,997)
Interest income	3,000	3,000	13,585	10,585
Total revenues	<u>1,511,600</u>	<u>1,511,600</u>	<u>1,894,721</u>	<u>383,121</u>
<b><u>Expenditures</u></b>				
General government	810,001	810,001	754,033	55,968
Public safety	322,298	322,298	247,590	74,708
Public works	392,107	392,107	229,389	162,718
Capital outlay	5,000	5,000	21,814	(16,814)
Total expenditures	<u>1,529,406</u>	<u>1,529,406</u>	<u>1,252,826</u>	<u>276,580</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>	<u>(17,806)</u>	<u>(17,806)</u>	<u>641,895</u>	<u>659,701</u>
<b><u>Expenditures</u></b>				
<b><u>Other Financing Sources (Uses)</u></b>				
Other financial assistance	-	-	146,740	146,740
Lease revenue	45,000	45,000	44,866	(134)
Proceeds from sale of capital assets	-	-	4,355	4,355
Insurance proceeds	-	-	5,645	5,645
Transfers in(out)	-	-	352,976	352,976
Total other financing sources (uses)	<u>45,000</u>	<u>45,000</u>	<u>554,582</u>	<u>(509,582)</u>
<b><u>Net Change in Fund Balances</u></b>	<u>\$ 27,194</u>	<u>\$ 27,194</u>	1,196,477	<u>\$ 150,119</u>
<b><u>Fund Balances at Beginning of Year</u></b>			2,264,123	
<b><u>Restatement (See Note 15)</u></b>			<u>(35,102)</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 3,425,498</u>	

**CITY OF EDDYVILLE, KENTUCKY**  
**FIRE PROTECTION SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Insurance license tax	\$ 170,000	\$ 170,000	\$ 198,662	\$ 28,662
Intergovernmental	40,000	40,000	30,240	(9,760)
Investment income	1,000	1,000	1,464	464
Total revenues	<u>211,000</u>	<u>211,000</u>	<u>230,366</u>	<u>19,366</u>
<b><u>Expenditures</u></b>				
Public safety	119,020	119,020	99,359	19,661
Capital outlay	236,200	236,200	152,620	83,580
Total expenditures	<u>355,220</u>	<u>355,220</u>	<u>251,979</u>	<u>103,241</u>
<b><u>Excess (Deficiency) of Revenues Over</u></b>				
<b><u>Expenditures</u></b>	(144,220)	(144,220)	(21,613)	122,607
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	1,464	1,464
<b><u>Net Change in Fund Balances</u></b>				
	<u>\$ (144,220)</u>	<u>\$ (144,220)</u>	(20,149)	<u>\$ 124,071</u>
<b><u>Fund Balances at Beginning of Year</u></b>			<u>393,911</u>	
<b><u>Fund Balances at End of Year</u></b>			<u>\$ 373,762</u>	

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR FISCAL YEARS ENDED JUNE 30**  
**LAST TEN MEASUREMENT DATES (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Non-Hazardous</u></b>								
City's proportion of the net pension liability (asset)	.010637%	.012933%	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 815,849	\$ 909,584	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	290.78%	344.37%	288.63%	242.67%	200.64%	208.25%	135.74%	146.86%
Plan fiduciary net position as a percentage of the total pension liability (2)	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<b><u>Hazardous</u></b>								
City's proportion of the net pension liability (asset)	.036592%	.042281%	.042127%	.043182%	.035460%	.022480%	-	-
City's proportionate share of the net pension liability (asset)	\$ 1,103,259	\$ 1,167,926	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038	\$ -	\$ -
City's covered-employee payroll	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	713.24%	550.57%	423.11%	405.29%	256.67%	187.20%	-	-
Plan fiduciary net position as a percentage of the total pension liability (2)	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	-	-

**Note to Schedule:**

- (1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.
- (2) This will be the same percentage for all participant employers in the CERS plan.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**FOR FISCAL YEARS ENDED JUNE 30**  
**LAST TEN FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Non-Hazardous</u></b>								
Contractually required contribution	\$ 54,152	\$ 64,494	\$ 52,913	\$ 55,487	\$ 53,961	\$ 65,123	\$ 102,318	\$ 111,447
Contributions in relation to the contractually required contribution	<u>54,152</u>	<u>64,494</u>	<u>52,913</u>	<u>55,487</u>	<u>53,961</u>	<u>65,123</u>	<u>102,318</u>	<u>111,447</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	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
Contribution as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<b><u>Hazardous</u></b>								
Contractually required contribution	\$ 46,499	\$ 95,631	\$ 59,886	\$ 52,094	\$ 51,463	\$ 52,086	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>46,499</u>	<u>95,631</u>	<u>59,886</u>	<u>52,094</u>	<u>51,463</u>	<u>52,086</u>	<u>\$ -</u>	<u>\$ -</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	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	-	-

**Note to Schedule:**

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those allocated directly to the CERS pension fund.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Note A - Changes of Assumptions:***

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, listed below:

2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used was updated to 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 Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margins will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017:

The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018:

There have been no changes in actuarial assumptions since June 30, 2017.

2019:

The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020:

There have been no changes in actuarial assumptions since June 30, 2019.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Note B - Method and assumptions used in calculations of actuarially determined contribution***

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2020, determined as of June 30, 2019. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Valuation date	June 30, 2018
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 11.55%, varies by service for CERS
Investment rate of return	6.25%
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

***Note C - Changes of Benefits***

2009: A new benefit tier for members who first participated on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates.
- 2) New retirement eligibility requirements.
- 3) Difference rules for the computation of final average compensation.

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**FOR FISCAL YEARS ENDED JUNE 30**  
**LAST TEN MEASUREMENT DATES (1)**

	2020	2019	2018	2017
<b>Nonhazardous</b>				
City's proportionate share of the net OPEB liability (asset)	0.010634%	0.012929%	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 256,779	\$ 217,460	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	91.52%	82.33%	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	60.44%	60.44%	57.62%	52.40%
<b>Hazardous</b>				
City's proportionate share of the net OPEB liability (asset)	0.036580%	0.042273%	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 338,038	\$ 338,038	\$ 338,038	\$ 356,973
City's covered employee payroll	\$ 154,682	\$ 154,682	\$ 154,682	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	218.54%	147.44%	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	64.44%	64.44%	64.24%	59.00%

**Note to Schedule:**

(1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

(2) This will be the same percentage for all participant employers in the CERS plan.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**FOR FISCAL YEARS ENDED JUNE 30**  
**LAST TEN FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous</u></b>				
Statutorily required contributions	\$ 11,719	\$ 15,475	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<u>11,719</u>	<u>15,475</u>	<u>17,161</u>	<u>18,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	4.76%	4.76%	5.26%	4.70%
<b><u>Hazardous</u></b>				
Statutorily required contributions	\$ 14,724	\$ 28,716	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<u>14,724</u>	<u>28,716</u>	<u>25,211</u>	<u>21,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	9.52%	9.52%	10.47%	9.35%

**Note to Schedule:**

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those allocated directly to the CERS insurance fund.



**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF CHANGES IN OPEB BENEFITS AND ASSUMPTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Note A - Changes of Assumptions:***

2017:

The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018:

There have been no changes in actuarial assumptions since June 30, 2017.

2019:

The payroll growth rate was reduced to 2.00% from 4.00%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

***Note B - Method and assumptions used in calculations of actuarially determined contribution***

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule for the year ending June 30, 2020.

Valuation date	June 30, 2018
Experience study	July 1, 2008 - June 30, 2013
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	25 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 11.55%, varies by services
Payroll growth rate	2.00%, CERS non-hazardous
Investment rate of return	6.25% net of plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

***Note C - Changes of Benefits***

There were no changes to benefits for OPEB plan.

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**CITY OF EDDYVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	Special Revenue Funds			Total Non-Major Governmental Funds
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	
<b>Assets</b>				
Receivables	\$ -	\$ 8,715	\$ 68	\$ 8,783
Intergovernmental receivables	5,612	-	-	5,612
Restricted assets				
Cash equivalents	-	-	36,911	36,911
Investments	-	-	23,295	23,295
<b>Total Assets</b>	<b>\$ 5,612</b>	<b>\$ 8,715</b>	<b>\$ 60,274</b>	<b>\$ 74,601</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>				
Restricted for				
Cemetery fund	-	-	60,274	60,274
Municipal aid	5,612	-	-	5,612
Committed for				
Alcoholic beverage control	-	8,715	-	8,715
Total Fund Balances	5,612	8,715	60,274	74,601
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,612</b>	<b>\$ 8,715</b>	<b>\$ 60,274</b>	<b>\$ 74,601</b>

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

	Special Revenue Funds	Total Other Governmental Funds		
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	Governmental Funds
<b>Revenues</b>				
Regulatory fee	\$ -	\$ 91,524	\$ -	\$ 91,524
Intergovernmental Cemetery	48,896	-	-	48,896
Interest income	-	-	7,200	7,200
Total Revenues	48,896	91,524	9,546	149,966
<b>Expenditures</b>				
Public safety	-	109,734	-	109,734
Cemetery maintenance	-	-	11,526	11,526
Capital outlay	47,064	-	-	47,064
Total Expenditures	47,064	109,734	11,526	168,324
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,832	(18,210)	(1,980)	(18,358)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	16,316	11	16,327
<b>Net Change in Fund Balances</b>	1,832	(1,894)	(1,969)	(2,031)
<b>Fund Balances - Beginning of Year</b>	3,780	10,609	62,243	76,632
<b>Fund Balances - End of Year</b>	\$ 5,612	\$ 8,715	\$ 60,274	\$ 74,601

JESSICA K. DANIEL, CPA PSC  
CERTIFIED PUBLIC ACCOUNTANT

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**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**

Honorable Mayor John Choat  
and Members of the City Council  
City of Eddyville, Kentucky  
Eddyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eddyville, Kentucky as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Eddyville, Kentucky's basic financial statements, and have issued our report thereon dated March 24, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Item 2021-1 and Item 2021-2).

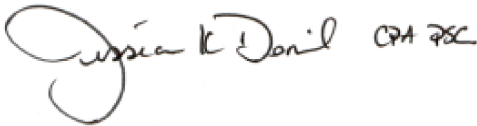
### Compliance and other Matters

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

We also noted certain matters that we reported to management of the City of Eddyville, Kentucky, in a separate letter dated March 24, 2022.

### Purpose of this Report

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

Handwritten signature of Jessica K. Donil CPA 75C. The signature is written in cursive and includes the text "Jessica K. Donil CPA 75C" to the right of the signature.

Eddyville, Kentucky  
March 24, 2022

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

**2021-1: Segregation of Duties**

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

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

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

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

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

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

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

**2021-2: Audit Adjustments**

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.

**CITY OF EDDYVILLE, KENTUCKY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-1: Segregation of Duties**

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

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

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

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

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

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

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

**2020-2: Audit Adjustments**

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.



**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 8

Responding Witness: James Peters

**Q-8. Identify the owner of the master meter(s) through which Eddyville provides water to its wholesale customers.**

- a. Provide the number of master meters that Eddyville provides wholesale water service to Lyon District.**
- b. Identify the party responsible (Eddyville or wholesale customer) for maintaining these master meters.**

A-8. a. The City of Eddyville provides wholesale water service to Lyon County Water District through eight (8) master meters. An additional master meter is available to serve Lyon County Water District but is currently in an inactive status.

- b. Pursuant to the terms of the Water Purchase Contract between the City of Eddyville and Lyon County Water District, Eddyville is responsible for maintaining the master meters.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 9

Responding Witness: James Peters

- Q-9. State whether Eddyville provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments, or protection services). For each type of unmetered service, estimate the percentage of the estimated unmetered gallons provided in the test year.**
- A.-9. The City of Eddyville does not provide unmetered water service to any entity or to any agency or division of municipal government. All water service is metered.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 10

Responding Witness: James Peters

**Q-10. State the annual effect of the proposed rate adjustment on Eddyville's revenues to each of its wholesale water service customers. Show all calculations made and state all assumptions used to derive this response. Provide this in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.**

A-10. The proposed wholesale increase represents a three percent increase in the existing wholesale rate. Annual revenues from sales to each of its wholesale customers are expected to increase three percent. Based upon sales from June 2021 to May 2022, revenues from sales to Lyon County Water District and the City of Fredonia are expected to increase \$622.95 and \$3,608.64 respectively. These amounts were determined by multiplying revenues from these customers by 0.03. These calculations are shown below.

Sales to Lyon County Water District x 0.03 = \$20,764.93 x 0.03 = \$622.95.

Sales to City of Fredonia x 0.03 = \$120,288.11 x 0.03 = \$3,608.64.

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**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 11

Responding Witness: James Peters/Nicole Hagan

**Q-11. Provide the ordinance or resolution of the city council or similar governing body in which the proposed rate adjustment was approved.**

A-11. As of July 6, 2022, the City Council had not enacted an Ordinance approving the proposed adjustment. A first reading of the Ordinance occurred on May 2, 2022. The Council postponed a second reading of the Ordinance as a result of the Commission's Order of June 2, 2022 initiating an investigation into the proposed rate. A copy of the proposed ordinance and the minutes of the May 2, 2022 meeting of the Eddyville City Council are attached as Attachments 11-1 and 11-2 respectively.

# ATTACHMENT 11-1

**CITY OF EDDYVILLE, KENTUCKY  
ORDINANCE 2022-05-02  
WATER AND SEWER RATE ORDINANCE**

**WHEREAS**, the City of Eddyville, Kentucky on February 1, 2016 passed and adopted a City Ordinance pertaining to the rates, rules and regulations of the water and sewer system of the City of Eddyville, Kentucky; and

**WHEREAS**, certain changes and modifications of said Ordinance have become necessary due to changing times; and

**WHEREAS**, the cost of providing water and sewer services for the residents of the City of Eddyville, Kentucky has increased dramatically over the past few years; and

**WHEREAS**, the City of Eddyville, Kentucky must establish a rate to pay for maintenance and repairs to water and sewer system facilities;

**NOW THEREFORE, BE IT ORDAINED** by the City Council of the City of Eddyville, Kentucky as follows:

1. The City Ordinance Section 51.087 and Section 51.088 be amended and the specified provisions of the sections shall hereinafter read as follows:

**SECTION 51.087 RATES AND CHARGES FOR ORDINARY WATER SERVICE.**

The rates and charges for ordinary water services shall be based upon a metered rate as follows:

W-1	Single Residence in City Limits		
	Minimum Charge for 2,000 gallons	<del>24.65</del>	<u>25.39</u>
	Per 1,000 gallons above 2,000 gallons	<del>5.34</del>	<u>5.50</u>
W-2	Double Residence in City Limits		
	Minimum Charge for 4,000 gallons	<del>49.29</del>	<u>50.77</u>
	Per 1,000 gallons above 4,000 gallons	<del>5.34</del>	<u>5.50</u>
W-3	Amber Village - Four Unit		
	Minimum Charge for 8,000 gallons	<del>98.60</del>	<u>101.56</u>
	Per 1,000 gallons above 8,000 gallons	<del>5.34</del>	<u>5.50</u>

W-4	Amber Village - Eight Unit		
	Minimum Charge for 16,000 gallons	197.19	<u>203.11</u>
	Per 1,000 gallons above 16,000 gallons	5.34	<u>5.50</u>
W-5	Fredonia, Kentucky		
	Minimum Charge for 1,000 gallons	4.09	<u>4.22</u>
	Per 1,000 gallons above 1,000 gallons	4.09	<u>4.22</u>
W-6	Housing Project - 101 Units		
	Minimum Charge for 202,000 gallons	2,489.33	<u>2,564.01</u>
	Per 1,000 gallons for next 101,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons above 303,000 gallons	4.09	<u>4.22</u>
W-7	Single Residence outside City Limits		
	Minimum Charge for 2,000 gallons	29.28	<u>30.16</u>
	Per 1,000 gallons above 2,000 gallons	5.34	<u>5.50</u>
W-8	Double Residence outside City Limits		
	Minimum Charge for 4,000 gallons	58.55	<u>60.31</u>
	Per 1,000 gallons above 4,000 gallons	5.34	<u>5.50</u>
W-9	Business inside City Limits		
	Minimum Charge for 2,000 gallons	30.81	<u>31.74</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-A	Double Business in City Limits		
	Minimum Charge for 4,000 gallons	61.61	<u>63.46</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-B	Business Outside City Limits		
	Minimum Charge for 2,000 gallons	34.66	<u>35.70</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-C	Double Business Outside City Limits		
	Minimum Charge for 4,000 gallons	69.32	<u>71.40</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>

W-C	Double Business Outside City Limits-continued		
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-D	Eddyville Swimming Pool/West Kentucky Farm Center/Lyon County Water District		
	Minimum Charge for 1,000 gallons	4.09	<u>4.22</u>
	Per 1,000 gallons over 1,000 gallons	4.09	<u>4.22</u>
W-E	Churches		
	Minimum Charge for 2,000 gallons	24.65	<u>25.39</u>
	Per 1,000 gallons above 2,000 gallons	5.34	<u>5.50</u>
W-F	Governmental Agencies		
	Minimum Charge for 2,000 gallons	30.81	<u>31.74</u>
	Per 1,000 gallons for next 8,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 40,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 50,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 100,000 gallons	4.09	<u>4.22</u>

Water rate increases shall occur at the rate of 3% in year 2020, year 2022, year 2024, and year 2026. The increase shall take effect on July 1 of each year rate increase occurs.

#### Section 51.088 RATES AND CHARGES FOR SEWER SERVICE.

The rates and charges for sewer services shall be based upon water usage as follows:

S-1	Single Residence in City Limits		
	Minimum Charge for 2,000 gallons	<del>27.38</del>	<u>28.21</u>
	Per 1,000 gallons above 2,000 gallons	5.94	<u>6.12</u>
S-2	Double Residence in City Limits		
	Minimum Charge for 4,000 gallons	54.76	<u>56.41</u>
	Per 1,000 gallons above 4,000 gallons	5.94	<u>6.12</u>
S-3	Amber Village - Four Unit		
	Minimum Charge for 8,000 gallons	109.51	<u>112.80</u>
	Per 1,000 gallons above 8,000 gallons	5.94	<u>6.12</u>
S-4	Amber Village - Eight Unit		
	Minimum Charge for 16,000 gallons	219.02	<u>225.59</u>
	Per 1,000 gallons above 16,000 gallons	5.94	<u>6.12</u>



S-5	Flat Rate Charge - No Water Minimum Charge	45.63	<u>47.00</u>
S-6	Housing Project - 101 Units Minimum Charge for 202,000 gallons Per 1,000 gallons for next 101,000 gallons Per 1,000 gallons above 303,000 gallons	2,765.14 5.94 3.66	<u>2,848.10</u> <u>6.12</u> <u>3.77</u>
S-7	Single Residence outside City Limits Minimum Charge for 2,000 gallons Per 1,000 gallons above 2,000 gallons	32.52 5.94	<u>33.50</u> <u>6.12</u>
S-8	Double Residence outside City Limits Minimum Charge for 4,000 gallons Per 1,000 gallons above 4,000 gallons	65.04 5.94	<u>67.00</u> <u>6.12</u>
S-9	Business inside City Limits Minimum Charge for 2,000 gallons Per 1,000 gallons for next 8,000 gallons Per 1,000 gallons for next 40,000 gallons Per 1,000 gallons for next 50,000 gallons Per 1,000 gallons above 100,000 gallons	34.23 5.94 5.40 4.99 3.66	<u>35.26</u> <u>6.12</u> <u>5.57</u> <u>5.14</u> <u>3.77</u>
S-A	Double Business in City Limits Minimum Charge for 4,000 gallons Per 1,000 gallons for next 16,000 gallons Per 1,000 gallons for next 80,000 gallons Per 1,000 gallons for next 100,000 gallons Per 1,000 gallons above 200,000 gallons	68.46 5.94 5.40 4.99 3.66	<u>70.52</u> <u>6.12</u> <u>5.57</u> <u>5.14</u> <u>3.77</u>
S-B	Churches Minimum Charge for 2,000 gallons Per 1,000 gallons above 2,000 gallons	27.38 5.94	<u>28.21</u> <u>6.12</u>
S-C	Governmental Agencies Minimum Charge for 2,000 gallons Per 1,000 gallons for next 8,000 gallons Per 1,000 gallons for next 40,000 gallons Per 1,000 gallons for next 50,000 gallons Per 1,000 gallons above 100,000 gallons	34.23 5.94 5.40 4.99 3.66	<u>35.26</u> <u>6.12</u> <u>5.57</u> <u>5.14</u> <u>3.77</u>
S-D	City of Fredonia, Kentucky Minimum Charge for 1,000 gallons Per 1,000 gallons over 1,000 gallons	3.66 3.66	<u>3.77</u> <u>3.77</u>

S-E	West Kentucky Farm Center		
	Minimum Charge for 1,000 gallons	<del>3.66</del>	<u>3.77</u>
	Per 1,000 gallons over 1,000 gallons	<del>3.66</del>	<u>3.77</u>
S-F	Business outside City Limits		
	Minimum Charge for 1,000 gallons	<del>38.52</del>	<u>39.68</u>
	Per 1,000 gallons for the next 8,000 gallons	<del>5.94</del>	<u>6.12</u>
	Per 1,000 gallons for next 40,000 gallons	<del>5.40</del>	<u>5.57</u>
	Per 1,000 gallons for next 50,000 gallons	<del>4.99</del>	<u>5.14</u>
	Per 1,000 gallons above 100,000 gallons	<del>3.66</del>	<u>3.77</u>

Sewer rate increases shall occur at the rate of 3% in year 2020, year 2022, year 2024, and year 2026. The increase shall take effect on July 1 of each year rate increase occurs.

All ordinances or portions thereof hereby inconsistent with the amendments and herein are hereby repealed. All other provisions, both within the original ordinance and any amendments, not inconsistent with this ordinance are hereby reaffirmed.

This Ordinance governing rates shall be effective July 1, 2022.

First Reading            May 2, 2022

Second Reading        \_\_\_\_\_

Published                \_\_\_\_\_

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John L. Choat, Mayor  
City of Eddyville, Kentucky

ATTEST:

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Linda Greene-Williams  
City Clerk/Treasurer

**CITY OF EDDYVILLE, KENTUCKY  
ORDINANCE 2022-05-02B  
WATER AND SEWER RATE ORDINANCE**

**WHEREAS**, the City of Eddyville, Kentucky on February 1, 2016 passed and adopted a City Ordinance pertaining to the rates, rules and regulations of the water and sewer system of the City of Eddyville, Kentucky; and

**WHEREAS**, certain changes and modifications of said Ordinance have become necessary due to changing times; and

**WHEREAS**, the cost of providing water and sewer services for the residents of the City of Eddyville, Kentucky has increased dramatically over the past few years; and

**WHEREAS**, the City of Eddyville, Kentucky must establish a rate to pay for maintenance and repairs to water and sewer system facilities;

**NOW THEREFORE, BE IT ORDAINED** by the City Council of the City of Eddyville, Kentucky as follows:

1. The City Ordinance Section 51.087 and Section 51.088 be amended and the specified provisions of the sections shall hereinafter read as follows:

**SECTION 51.087 RATES AND CHARGES FOR ORDINARY WATER SERVICE.**

The rates and charges for ordinary water services shall be based upon a metered rate as follows:

W-1	Single Residence in City Limits		
	Minimum Charge for 2,000 gallons	<del>24.65</del>	<u>25.39</u>
	Per 1,000 gallons above 2,000 gallons	<del>5.34</del>	<u>5.50</u>
W-2	Double Residence in City Limits		
	Minimum Charge for 4,000 gallons	<del>49.29</del>	<u>50.77</u>
	Per 1,000 gallons above 4,000 gallons	<del>5.34</del>	<u>5.50</u>
W-3	Amber Village - Four Unit		
	Minimum Charge for 8,000 gallons	<del>98.60</del>	<u>101.56</u>
	Per 1,000 gallons above 8,000 gallons	<del>5.34</del>	<u>5.50</u>

W-4	Amber Village - Eight Unit		
	Minimum Charge for 16,000 gallons	197.19	<u>203.11</u>
	Per 1,000 gallons above 16,000 gallons	5.34	<u>5.50</u>
W-5	Fredonia, Kentucky		
	Minimum Charge for 1,000 gallons	4.09	<u>4.22</u>
	Per 1,000 gallons above 1,000 gallons	4.09	<u>4.22</u>
W-6	Housing Project - 101 Units		
	Minimum Charge for 202,000 gallons	2,489.33	<u>2,564.01</u>
	Per 1,000 gallons for next 101,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons above 303,000 gallons	4.09	<u>4.22</u>
W-7	Single Residence outside City Limits		
	Minimum Charge for 2,000 gallons	29.28	<u>30.16</u>
	Per 1,000 gallons above 2,000 gallons	5.34	<u>5.50</u>
W-8	Double Residence outside City Limits		
	Minimum Charge for 4,000 gallons	58.55	<u>60.31</u>
	Per 1,000 gallons above 4,000 gallons	5.34	<u>5.50</u>
W-9	Business inside City Limits		
	Minimum Charge for 2,000 gallons	30.81	<u>31.74</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-A	Double Business in City Limits		
	Minimum Charge for 4,000 gallons	61.61	<u>63.46</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-B	Business Outside City Limits		
	Minimum Charge for 2,000 gallons	34.66	<u>35.70</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-C	Double Business Outside City Limits		
	Minimum Charge for 4,000 gallons	69.32	<u>71.40</u>
	Per 1,000 gallons for next 16,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 80,000 gallons	4.87	<u>5.02</u>

W-C	Double Business Outside City Limits-continued		
	Per 1,000 gallons for next 100,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 200,000 gallons	4.09	<u>4.22</u>
W-D	Eddyville Swimming Pool/West Kentucky Farm Center/Lyon County Water District		
	Minimum Charge for 1,000 gallons	4.09	<u>4.22</u>
	Per 1,000 gallons over 1,000 gallons	4.09	<u>4.22</u>
W-E	Churches		
	Minimum Charge for 2,000 gallons	24.65	<u>25.39</u>
	Per 1,000 gallons above 2,000 gallons	5.34	<u>5.50</u>
W-F	Governmental Agencies		
	Minimum Charge for 2,000 gallons	30.81	<u>31.74</u>
	Per 1,000 gallons for next 8,000 gallons	5.34	<u>5.50</u>
	Per 1,000 gallons for next 40,000 gallons	4.87	<u>5.02</u>
	Per 1,000 gallons for next 50,000 gallons	4.52	<u>4.66</u>
	Per 1,000 gallons above 100,000 gallons	4.09	<u>4.22</u>

Water rate increases shall occur at the rate of 3% in year 2020, year 2022, year 2024, and year 2026. The increase shall take effect on July 1 of each year rate increase occurs.

#### Section 51.088 RATES AND CHARGES FOR SEWER SERVICE.

The rates and charges for sewer services shall be based upon water usage as follows:

S-1	Single Residence in City Limits		
	Minimum Charge for 2,000 gallons	<del>27.38</del>	<u>28.21</u>
	Per 1,000 gallons above 2,000 gallons	5.94	<u>6.12</u>
S-2	Double Residence in City Limits		
	Minimum Charge for 4,000 gallons	54.76	<u>56.41</u>
	Per 1,000 gallons above 4,000 gallons	5.94	<u>6.12</u>
S-3	Amber Village - Four Unit		
	Minimum Charge for 8,000 gallons	109.51	<u>112.80</u>
	Per 1,000 gallons above 8,000 gallons	5.94	<u>6.12</u>
S-4	Amber Village - Eight Unit		
	Minimum Charge for 16,000 gallons	219.02	<u>225.59</u>
	Per 1,000 gallons above 16,000 gallons	5.94	<u>6.12</u>

S-5	Flat Rate Charge - No Water Minimum Charge	45.63	<u>47.00</u>
S-6	Housing Project - 101 Units Minimum Charge for 202,000 gallons Per 1,000 gallons for next 101,000 gallons Per 1,000 gallons above 303,000 gallons	2,765.14 5.94 3.66	<u>2,848.10</u> <u>6.12</u> <u>3.77</u>
S-7	Single Residence outside City Limits Minimum Charge for 2,000 gallons Per 1,000 gallons above 2,000 gallons	32.52 5.94	<u>33.50</u> <u>6.12</u>
S-8	Double Residence outside City Limits Minimum Charge for 4,000 gallons Per 1,000 gallons above 4,000 gallons	65.04 5.94	<u>67.00</u> <u>6.12</u>
S-9	Business inside City Limits Minimum Charge for 2,000 gallons Per 1,000 gallons for next 8,000 gallons Per 1,000 gallons for next 40,000 gallons Per 1,000 gallons for next 50,000 gallons Per 1,000 gallons above 100,000 gallons	34.23 5.94 5.40 4.99 3.66	<u>35.26</u> <u>6.12</u> <u>5.57</u> <u>5.14</u> <u>3.77</u>
S-A	Double Business in City Limits Minimum Charge for 4,000 gallons Per 1,000 gallons for next 16,000 gallons Per 1,000 gallons for next 80,000 gallons Per 1,000 gallons for next 100,000 gallons Per 1,000 gallons above 200,000 gallons	68.46 5.94 5.40 4.99 3.66	<u>70.52</u> <u>6.12</u> <u>5.57</u> <u>5.14</u> <u>3.77</u>
S-B	Churches Minimum Charge for 2,000 gallons Per 1,000 gallons above 2,000 gallons	27.38 5.94	<u>28.21</u> <u>6.12</u>
S-C	Governmental Agencies Minimum Charge for 2,000 gallons Per 1,000 gallons for next 8,000 gallons Per 1,000 gallons for next 40,000 gallons Per 1,000 gallons for next 50,000 gallons Per 1,000 gallons above 100,000 gallons	34.23 5.94 5.40 4.99 3.66	<u>35.26</u> <u>6.12</u> <u>5.57</u> <u>5.14</u> <u>3.77</u>
S-D	City of Fredonia, Kentucky Minimum Charge for 1,000 gallons Per 1,000 gallons over 1,000 gallons	3.66 3.66	<u>3.77</u> <u>3.77</u>

S-E	West Kentucky Farm Center		
	Minimum Charge for 1,000 gallons	3.66	<u>3.77</u>
	Per 1,000 gallons over 1,000 gallons	3.66	<u>3.77</u>
S-F	Business outside City Limits		
	Minimum Charge for 1,000 gallons	38.52	<u>39.68</u>
	Per 1,000 gallons for the next 8,000 gallons	5.94	<u>6.12</u>
	Per 1,000 gallons for next 40,000 gallons	5.40	<u>5.57</u>
	Per 1,000 gallons for next 50,000 gallons	4.99	<u>5.14</u>
	Per 1,000 gallons above 100,000 gallons	3.66	<u>3.77</u>

Sewer rate increases shall occur at the rate of 3% in year 2020, year 2022, year 2024, and year 2026. The increase shall take effect on July 1 of each year rate increase occurs.

All ordinances or portions thereof hereby inconsistent with the amendments and herein are hereby repealed. All other provisions, both within the original ordinance and any amendments, not inconsistent with this ordinance are hereby reaffirmed.

This Ordinance governing rates shall be effective July 1, 2022.

First Reading            May 2, 2022

Second Reading        \_\_\_\_\_

Published                \_\_\_\_\_

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John L. Choat, Mayor  
City of Eddyville, Kentucky

ATTEST:

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Linda Greene-Williams  
City Clerk/Treasurer

# ATTACHMENT 11-2



## Eddyville City Council Meeting May 2, 2022

The Eddyville City Council met in regular session on Monday, May 2, 2022, at 6:00 pm. The following Council members were in attendance:

Leigh Ann Conger	present	Jerry Peek	present
Greg Greene	present	Tammy Stone	present
Michael Greene	absent	Julie Wadlington	present

Also present were Water/Sewer Superintendent James Peters, Police Chief Brooks Dixon and Public Works Director Travis Cobb.

Mayor Choat called the meeting to order at 6:00 pm.

Councilman Jerry Peek made a motion to approve the minutes of the April 11th, 2022 Special Council meeting. Motion seconded by Councilwoman Tammy Stone, unanimously carried.

In Public Comments, Bro. Rick Reeder discussed his opposition to Sunday alcohol sales.

Fire Chief Josh Schenk was not present. A written report of the Department's activities for the month of April was provided.

Police Chief Brooks Dixon provided the council with a written report of Department's activities for the month of April.

There was no Street Department report for April. Mayor Choat introduced the new Public Works Director Travis Cobb.

Water/Sewer Superintendent James Peters provided the council with a written report of Department's activities for the month of April and reviewed certain areas of the report.

In old business, Councilman Greg Greene made a motion to approve Ordinance 2022-04-11 Amendment to the Alcohol Sales Ordinance, 2nd reading. Motion seconded by Councilwoman Julie Wadlington, unanimously carried.

In new business, Councilwoman Leigh Ann Conger made a motion to approve the City of Eddyville Budget Appropriations Ordinance 2022-05-02A, first reading. Councilman Jerry Peek seconded, unanimously carried.

Councilman Jerry Peek made a motion to approve Ordinance 2022-05-02B Water and Sewer Rates, 1<sup>st</sup> reading. Motion seconded by Council Julie Wadlington, Councilwoman Leigh Ann Conger voted no. The remaining Council Members voted yes.

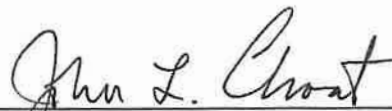
Councilman Jerry Peek made a motion to approve Resolution 2022-05-02A ARP Standard Allowance Authorization. Motion seconded by Councilwoman Tammy Stone, unanimously carried.

Councilman Greg Greene made a motion to approve Resolution 2022-05-02B Cleaner Water Grant Acceptance. Motion seconded by Councilwoman Leigh Ann Conger, unanimously carried.

Mayor Choat discussed a property owner's request for rezoning property on Broadway St.

Amanda Davenport did a presentation on the Lake Barkley Partnership for Economic Development. Glen Kinder also spoke on the Eddyville Riverport and Industrial Development Authority applying for a federal grant and the need for the City to write a letter of support for them.

With no further business and upon a motion by Councilman Greg Greene, seconded by Councilman Jerry Peek, and unanimously carried, the meeting was adjourned at 7:20 pm.

  
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John L. Choat, Mayor

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Attest:  
Linda Greene-Williams, City Clerk

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 12

Responding Witnesses: James Peters/Nicole Hagan

**Q-12. Provide the minutes of each city council meeting in which a proposed rate adjustment to Eddyville's wholesale customers was discussed.**

A-12. See Attachment 11-2. The City of Eddyville assumes that the question is referring only to the proposed wholesale increase to Lyon County Water District and not to earlier increases.

**CITY OF EDDYVILLE, KENTUCKY**

**Response to Commission Staff's First Request for Information  
Case No. 2022-00138**

Question No. 13

Responding Witness: James Peters

- Q-13. Provide a copy of all correspondence, electronic mail messages, or other written communications between Eddyville and its wholesale customers regarding the current proposed revisions to Eddyville's wholesale rates.**
- A-13. See Attachment 13. The only written communication between Eddyville and Lyon County Water District regarding the proposed wholesale rate adjustment was the notice of the proposed increase that was personally served on a representative of Lyon County Water District. The City of Eddyville has received no written notice or communication from Lyon County Water District in which it has stated an objection to the proposed rate adjustment or otherwise contested the proposed adjustment.

# ATTACHMENT 13

## NOTICE

The City of Eddyville Water Department (Eddyville Water) is providing notice that it plans to file with the Public Service Commission on before June 11, 2022 to increase the wholesale rate it charges Lyon County Water District effective for water service rendered on and after July 11, 2022. The proposed rates are as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>\$ Change</u>	<u>% Change</u>
All Usage (per 1,000 gallons)	\$4.09	\$4.21	\$0.12	3.0% Increase

Water flowing through the meter(s) before the effective date will be charged at the current rate while water flowing through the meter on and after the effective date will be charged at the proposed rate.

In accordance with Public Service Commission procedures, the effective date of the proposed rate cannot be prior to the expiration of a 30-day notice given to the Commission and Lyon County Water District.

This filing may be examined at the offices of Eddyville Water located at 153 West Main Street in Eddyville, Kentucky.

This filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>.

Comments regarding this filing may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort KY 40602; or through its website at <http://psc.ky.gov>.

The rates contained in this notice are the rates proposed by the Eddyville Water but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Intervention may be requested by submitting a timely written request for intervention by mail to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602. The request for intervention must establish the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the providing of this notice, the Public Service Commission may take final action on the filed application.

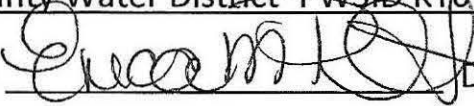
## Notification of Rate Increase Receipt Documentation

The Rate Increase Notification has been given to the consecutive system before the 30 day effective period as per PSC requirements. The effective date is to be July 11, 2022.

PWS providing notice Eddyville Water Department PWSID KY0720113

PWS Representative signature  Date 01/21/2022

PWS receiving notice Lyon County Water District PWSID KY070933

PWS Representative signature  Date 01/21/2022