

CITY OF BEAVER DAM, KENTUCKY
Financial Statements with Accompanying Information
For the Year Ended June 30, 2018
and
Report of Independent Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Commissioners
City of Beaver Dam, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky (City) as of and for the year ended June 30, 2018, 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. However, because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit.

Basis for Disclaimer of Opinion

As discussed in item 18-1 in the Schedule of Findings and Responses on page 54, the City of Beaver Dam Tourism Commission does not account for material advance ticket sales and deposits on future events. As a result, there was insufficient evidence upon which to base an audit opinion for the aggregate discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit, the City of Beaver Dam Tourism Commission. Accordingly, we do not express an opinion on the financial statements of the aggregate discretely presented component unit, the City of Beaver Dam Tourism Commission, as of and for the year ended June 30, 2018.

Unqualified 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 Beaver Dam, Kentucky (City), as of and for the year ended June 30, 2018, and the respective changes in its financial position and cash flows, where applicable, 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 budgetary comparison information, the pension and OPEB schedules, and related notes on pages 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information shown on pages 49 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information shown on pages 49 through 51 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information shown on pages 49 through 51 is 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 our report dated April 5, 2019 on our consideration of City of Beaver Dam, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beaver Dam, Kentucky's internal control over financial reporting and compliance.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

April 5, 2019

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,041,176	\$ 1,757,602	\$ 2,798,778	\$ -
Prepayments	-	-	-	9,000
Accounts receivable	162,220	288,423	450,643	-
Interfund receivables	15	-	15	-
Due from component unit	158,508	-	158,508	-
Due from primary government	-	-	-	93,075
Unbilled revenue	-	82,818	82,818	-
Total Current Assets	1,361,919	2,128,843	3,490,762	102,075
Noncurrent Assets				
Restricted cash	560,456	-	560,456	35,439
Investments - noncurrent	1,000	-	1,000	-
Capital assets not being depreciated	865,921	-	865,921	-
Capital assets, net of depreciation	5,114,344	2,993,978	8,108,322	24,177
Total Noncurrent Assets	6,541,721	2,993,978	9,535,699	59,616
Total Assets	7,903,640	5,122,821	13,026,461	161,691
Deferred Outflows of Resources				
Deferred amounts from pension	276,906	174,251	451,157	-
Deferred amounts from OPEB	88,770	55,856	144,626	-
Total Deferred Outflows of Resources	365,676	230,107	595,783	-
Liabilities				
Current Liabilities				
Accounts payable	22,514	61,535	84,049	49,460
Accrued liabilities	107,465	27,941	135,406	-
Interfund payables	10,970	4,645	15,615	-
Due to component unit	93,075	-	93,075	-
Due to primary government	-	-	-	158,508
Customer deposits	-	73,965	73,965	-
Current portion of long-term debt	167,448	29,996	197,444	-
Total Current Liabilities	401,472	198,082	599,554	207,968
Noncurrent Liabilities				
Net pension liability	942,800	599,488	1,542,288	-
Net OPEB liability	323,808	205,897	529,705	-
Notes and leases payable	2,023,009	283,863	2,306,872	-
Total Noncurrent Liabilities	3,289,617	1,089,248	4,378,865	-
Total Liabilities	3,691,089	1,287,330	4,978,419	207,968
Deferred Inflows of Resources				
Deferred amounts from pension	25,089	15,952	41,041	-
Deferred amounts from OPEB	16,954	10,780	27,734	-
Total Deferred Inflows of Resources	42,043	26,732	68,775	-
Net Position				
Net investment in capital assets	3,789,808	2,680,119	6,469,927	-
Restricted for:				
Municipal roads	19,955	-	19,955	-
Cemetery maintenance	173,985	-	173,985	-
Economic assistance	247,853	-	247,853	-
Community pride	322	-	322	-
Tourism/amphitheater	118,341	-	118,341	(46,277)
Unrestricted, expendable	185,920	1,358,747	1,544,667	-
Total Net Position	\$ 4,536,184	\$ 4,038,866	\$ 8,575,050	\$ (46,277)

The accompanying notes are an integral part of this financial statement.

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expense)/Revenue Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Tourism Commission
Governmental Activities								
Cemetery	\$ 43,080	\$ 20,550	\$ -	\$ -	\$ (22,530)	\$ -	\$ (22,530)	\$ -
Code enforcement	11,357	-	-	-	(11,357)	-	(11,357)	-
Community pride project	-	40	-	-	40	-	40	-
General government	390,140	8,035	-	18,153	(363,952)	-	(363,952)	-
Parks and recreation	280,688	1,260	7,385	3,000	(269,043)	-	(269,043)	-
Public safety:								
Fire	75,655	14,595	24,000	-	(37,060)	-	(37,060)	-
Police	666,385	-	37,056	2,665	(626,664)	-	(626,664)	-
Streets	201,430	-	-	105,991	(95,439)	-	(95,439)	-
Tourism	513,516	-	-	-	(513,516)	-	(513,516)	-
Total Governmental Activities	2,182,251	44,480	68,441	129,809	(1,939,521)	-	(1,939,521)	-
Business-Type Activities								
Water utilities	588,592	725,489	-	-	-	136,897	136,897	-
Sewer services	1,141,009	1,191,204	-	-	-	50,195	50,195	-
Sanitation services	170,768	197,994	-	-	-	27,226	27,226	-
Total Business-Type Activities	1,900,369	2,114,687	-	-	-	214,318	214,318	-
Total Primary Government	\$4,082,620	\$2,159,167	\$ 68,441	\$ 129,809	\$ (1,939,521)	\$ 214,318	\$(1,725,203)	\$ -
Component Unit								
Tourism Commission	\$1,034,191	\$ -	\$ -	\$ -				\$ (1,034,191)
General Revenues:								
Taxes:								
Ad valorem taxes					\$ 40,478	\$ -	\$ 40,478	\$ -
Alcohol tax					149,816	-	149,816	-
Franchise taxes					179,423	-	179,423	-
Insurance premium taxes					283,510	-	283,510	-
Property taxes					394,808	-	394,808	-
Restaurant and transient room taxes					567,736	-	567,736	-
Occupational licenses					21,254	-	21,254	-
Interest income					6,268	5,775	12,043	-
Other revenue					41,860	-	41,860	500,922
Payment from component unit					298,512	-	298,512	-
Payment from primary government					-	-	-	513,517
Total					1,983,665	5,775	1,989,440	1,014,439
Changes in Net Position					44,144	220,093	264,237	(19,752)
Net Position - July 1, 2017 - as originally stated					4,725,444	3,967,183	8,692,627	(26,525)
Restatement					(233,404)	(148,410)	(381,814)	-
Net Position - July 1, 2017 - as restated					4,492,040	3,818,773	8,310,813	(26,525)
Net Position - June 30, 2018					\$ 4,536,184	\$ 4,038,866	\$ 8,575,050	\$ (46,277)

The accompanying notes are an integral part of this financial statement.

**CITY OF BEAVER DAM, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,041,176	\$ -	\$ 1,041,176
Receivables, net	162,220	-	162,220
Due from component unit	158,508	-	158,508
Due from other funds	14	1	15
Restricted cash	118,341	442,115	560,456
Investments - noncurrent	-	1,000	1,000
Total Assets	<u>\$ 1,480,259</u>	<u>\$ 443,116</u>	<u>\$ 1,923,375</u>
Liabilities			
Accounts payable	\$ 17,069	\$ 5,445	\$ 22,514
Accrued liabilities	104,701	2,764	107,465
Due to component unit	93,075	-	93,075
Interfund payables	10,383	587	10,970
Total Liabilities	<u>225,228</u>	<u>8,796</u>	<u>234,024</u>
Fund Balance			
Restricted for:			
Cemetery maintenance	-	173,451	173,451
Economic assistance	-	247,853	247,853
Municipal roads	-	12,694	12,694
Tourism/amphitheater	118,341	-	118,341
Assigned to community projects	-	322	322
Unassigned	1,136,690	-	1,136,690
Total Fund Balance	<u>1,255,031</u>	<u>434,320</u>	<u>1,689,351</u>
Total Liabilities and Fund Balance	<u>\$ 1,480,259</u>	<u>\$ 443,116</u>	<u>\$ 1,923,375</u>

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balance	\$ 1,689,351
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	5,980,265
Deferred outflows of resources for County Employees Retirement System pension and OPEB are not reported in the governmental funds.	365,676
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,457,065)
Deferred inflows of resources for County Employees Retirement System pension and OPEB are not reported in the governmental funds.	(42,043)
Net Position of Governmental Activities	<u><u>\$ 4,536,184</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Charges for services	\$ 30,090	\$ 20,590	\$ 50,680
Interest income	4,992	1,276	6,268
Intergovernmental revenues	86,059	105,991	192,050
Licenses and permits	21,254	-	21,254
Miscellaneous revenues	36,211	5,647	41,858
Payments from component unit	298,512	-	298,512
Taxes	1,615,771	-	1,615,771
Total Revenues	<u>2,092,889</u>	<u>133,504</u>	<u>2,226,393</u>
Expenditures			
Current:			
Cemetery	-	42,024	42,024
Code enforcement	11,357	-	11,357
General government	268,946	-	268,946
Public safety:			
Fire	40,622	-	40,622
Police	457,371	-	457,371
Parks and recreation	81,140	-	81,140
Streets	-	124,120	124,120
Tourism - payment to component unit	513,516	-	513,516
Debt Service:			
Principal	141,901	-	141,901
Interest	69,709	-	69,709
Capital Outlay	713,020	134,928	847,948
Total Expenditures	<u>2,297,582</u>	<u>301,072</u>	<u>2,598,654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(204,693)</u>	<u>(167,568)</u>	<u>(372,261)</u>
Other Financing Sources (Uses)			
Operating transfers in	63,915	195,000	258,915
Operating transfers out	(195,000)	(63,915)	(258,915)
Total Other Financing Sources (Uses)	<u>(131,085)</u>	<u>131,085</u>	<u>-</u>
Net Change in Fund Balance	<u>(335,778)</u>	<u>(36,483)</u>	<u>(372,261)</u>
Fund Balance - July 1, 2017	1,590,809	470,803	2,061,612
Fund Balance - June 30, 2018	<u>\$ 1,255,031</u>	<u>\$ 434,320</u>	<u>\$ 1,689,351</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEAVER DAM, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018**

Net Changes in Fund Balances - Governmental Funds \$ (372,261)

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

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$847,948) exceeded depreciation (\$270,976). 576,972

In the Statement of Activities, the change in net pension and OPEB liabilities and deferred inflows and outflows is reported, whereas the change in this liability is not reported in the governmental funds. Thus the change in net position differs from the change in fund balance by the amount of the increase or decrease in these accounts. (302,468)

Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments. 141,901

Changes in Net Position of Governmental Activities \$ 44,144

The accompanying notes are an integral part of this financial statement.

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds			
	Water	Sewer	Nonmajor Fund Sanitation	
Assets				
Current Assets				
Cash and cash equivalents	\$ 715,850	\$ 855,342	\$ 186,410	\$ 1,757,602
Trade accounts receivable - net	89,770	181,214	17,439	288,423
Interfund receivables	-	319	-	319
Unbilled revenue	29,142	53,676	-	82,818
Total Current Assets	834,762	1,090,551	203,849	2,129,162
Noncurrent Assets				
Land and land improvements	25,490	133,182	500	159,172
Building improvements	28,669	27,128	3,728	59,525
Office equipment	13,748	19,640	4,948	38,336
Vehicles	78,523	78,560	217,400	374,483
Machinery and equipment	334,370	269,661	-	604,031
Utility plants	1,670,213	1,407,183	-	3,077,396
Sewage disposal system	-	2,020,597	-	2,020,597
Less: accumulated depreciation	(1,462,147)	(1,729,393)	(148,022)	(3,339,562)
Total Noncurrent Assets	688,866	2,226,558	78,554	2,993,978
Total Assets	1,523,628	3,317,109	282,403	5,123,140
Deferred Outflows of Resources				
Deferred amounts from pension	47,465	93,046	33,740	174,251
Deferred amounts from OPEB	15,210	29,826	10,820	55,856
Total Deferred Outflows of Resources	62,675	122,872	44,560	230,107
Liabilities				
Current Liabilities				
Accounts payable	45,707	11,466	4,362	61,535
Accrued liabilities	14,451	12,691	799	27,941
Interfund payables	1,189	2,790	984	4,963
Customer deposits	73,965	-	-	73,965
Current portion of long-term debt	-	29,996	-	29,996
Total Current Liabilities	135,312	56,943	6,145	198,400
Noncurrent Liabilities				
Net pension liability	167,956	319,562	111,970	599,488
Net OPEB liability	57,685	109,755	38,457	205,897
Notes and leases payable	-	283,863	-	283,863
Total Noncurrent Liabilities	225,641	713,180	150,427	1,089,248
Total Liabilities	360,953	770,123	156,572	1,287,648
Deferred Inflows of Resources				
Deferred amounts from pension	4,469	8,504	2,979	15,952
Deferred amounts from OPEB	3,020	5,747	2,013	10,780
Total Deferred Inflows of Resources	7,489	14,251	4,992	26,732
Net Position				
Net investment in capital assets	688,866	1,912,699	78,554	2,680,119
Unrestricted	528,995	742,908	86,844	1,358,747
Total Net Position	\$ 1,217,861	\$ 2,655,607	\$ 165,398	\$ 4,038,866

The accompanying notes are an integral part of this financial statement.

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			Total
	Water	Sewer	Nonmajor Fund Sanitation	
Operating Revenues				
Charges for services	\$ 637,974	\$ 1,180,412	\$ 188,089	\$ 2,006,475
Miscellaneous	6,610	10,792	-	17,402
Pension income	80,905	-	9,905	90,810
Total Operating Revenues	<u>725,489</u>	<u>1,191,204</u>	<u>197,994</u>	<u>2,114,687</u>
Operating Expenses				
Advertising	-	-	158	158
Communications and postage	5,111	4,322	1,744	11,177
Depreciation	55,899	87,945	19,027	162,871
Dues and subscriptions	971	-	-	971
Employee insurance	19,885	37,675	25,853	83,413
Employee retirement	-	55,291	-	55,291
Insurance and bonds	12,484	18,514	13,599	44,597
Miscellaneous	179	55	50	284
Motor fuel and lubricants	8,642	6,179	7,816	22,637
Office supplies	1,807	2,301	323	4,431
Other contractual services	61,273	384	42,400	104,057
Other supplies	3,133	3,759	691	7,583
Payroll tax expense	7,054	9,322	3,649	20,025
Professional fees	17,600	23,939	3,221	44,760
Repairs and maintenance	5,468	13,500	2,281	21,249
Salaries	92,059	123,101	46,125	261,285
Sewage treatment	-	713,585	-	713,585
Technical supplies	20,640	11,899	-	32,539
Travel	1,394	359	-	1,753
Uniforms	3,970	2,792	3,831	10,593
Utilities	15,626	22,078	-	37,704
Water purchases	255,397	-	-	255,397
Total Operating Expenses	<u>588,592</u>	<u>1,137,000</u>	<u>170,768</u>	<u>1,896,360</u>
Operating Income	<u>136,897</u>	<u>54,204</u>	<u>27,226</u>	<u>218,327</u>
Non-Operating Revenues (Expenses)				
Interest income	2,483	2,920	372	5,775
Interest expense	-	(3,337)	-	(3,337)
Lease executory cost	-	(672)	-	(672)
Total Non-Operating Revenues (Expenses)	<u>2,483</u>	<u>(1,089)</u>	<u>372</u>	<u>1,766</u>
Changes in Net Position	<u>139,380</u>	<u>53,115</u>	<u>27,598</u>	<u>220,093</u>
Net Position - July 1, 2017 - as originally stated	<u>1,120,060</u>	<u>2,681,603</u>	<u>165,520</u>	<u>3,967,183</u>
Restatement	<u>(41,579)</u>	<u>(79,111)</u>	<u>(27,720)</u>	<u>(148,410)</u>
Net Position - July 1, 2017 - as restated	<u>1,078,481</u>	<u>2,602,492</u>	<u>137,800</u>	<u>3,818,773</u>
Net Position - June 30, 2018	<u>\$ 1,217,861</u>	<u>\$ 2,655,607</u>	<u>\$ 165,398</u>	<u>\$ 4,038,866</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			Total
	Water	Sewer	Nonmajor Fund Sanitation	
Cash Flows from Operating Activities:				
Receipts from customers	\$ 651,659	\$ 1,184,444	\$ 188,019	\$ 2,024,122
Payments to employees for services	(126,120)	(188,085)	(85,916)	(400,121)
Payments to suppliers	(398,180)	(816,611)	(76,040)	(1,290,831)
Internal activity - payments to other funds	(454)	195	60	(199)
Net Cash Provided by Operating Activities	<u>126,905</u>	<u>179,943</u>	<u>26,123</u>	<u>332,971</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(14,476)	(4,937)	-	(19,413)
Principal payments	-	(29,698)	-	(29,698)
Interest payments	-	(3,362)	-	(3,362)
Lease executory cost	-	(672)	-	(672)
Other receipts	-	1	-	1
Net Cash Used by Capital and Related Financing Activities	<u>(14,476)</u>	<u>(38,668)</u>	<u>-</u>	<u>(53,144)</u>
Cash Flows from Investing Activities:				
Interest income	2,483	2,920	372	5,775
Net Increase in Cash and Cash Equivalents	<u>114,912</u>	<u>144,195</u>	<u>26,495</u>	<u>285,602</u>
Cash and Cash Equivalents - July 1, 2017	<u>600,938</u>	<u>711,147</u>	<u>159,915</u>	<u>1,472,000</u>
Cash and Cash Equivalents - June 30, 2018	<u>\$ 715,850</u>	<u>\$ 855,342</u>	<u>\$ 186,410</u>	<u>\$ 1,757,602</u>

Reconciliation of Operating Income to

Net Cash Provided by Operating Activities:

Operating income	\$ 136,897	\$ 54,204	\$ 27,226	\$ 218,327
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	55,899	87,945	19,027	162,871
Change in assets and liabilities:				
Net receivables	2,311	(2,840)	(70)	(599)
Unbilled revenue	(1,551)	(3,920)	-	(5,471)
Deferred outflows of resources-pension	6,331	(31,038)	(6,244)	(30,951)
Deferred outflows of resources-OPEB	(11,543)	(22,850)	(8,376)	(42,769)
Accounts payable	15,515	7,055	74	22,644
Accrued liabilities	491	1,243	(1,575)	159
Customer deposits	6,315	-	-	6,315
Net pension liability	(102,515)	52,740	(16,941)	(66,716)
Net OPEB liability	12,439	23,667	8,293	44,399
Deferred inflows of resources-pension	3,750	7,795	2,636	14,181
Deferred inflows of resources-OPEB	3,020	5,747	2,013	10,780
Due to other funds	(454)	195	60	(199)
Net Cash Provided by Operating Activities	<u>\$ 126,905</u>	<u>\$ 179,943</u>	<u>\$ 26,123</u>	<u>\$ 332,971</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BEAVER DAM, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Agency</u> <u>Fund</u>
Assets	
Due from other funds	\$ 15,615
Restricted cash	14,184
Total Assets	<u>29,799</u>
Liabilities	
Due to other funds	15
Payroll liabilities	29,784
Total Liabilities	<u>29,799</u>
Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Beaver Dam, Kentucky's primary government (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is financially accountable. The more significant of the government's accounting policies are described below.

(A) Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. There are two methods of presentation of component units:

- a. Blended component units, although legally separate entities from the City, are in substance, part of the City's operations and so data from this component unit is combined with data of the City. As of June 30, 2018, there were not any entities that met this criteria.
- b. Discretely presented component units are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the City. Only the discretely presented component unit disclosures considered essential to the fair presentation of the reporting entity's financial statements are presented in these notes. The following entity is reported as a discretely presented component unit.

The City of Beaver Dam Tourism Commission – The City of Beaver Dam Tourism Commission (Tourism Commission) is a separate component unit of the City, as it is governed by its own seven-member commission, members of which are appointed by the mayor. The Tourism Commission prepares its own financial statements, a summary of which is included in the City's Statements of Net Position and Activities. The Tourism Commission's separately issued financial statements may be obtained at Beaver Dam City Hall, 309 West Second Street, Beaver Dam, Kentucky 42320.

(B) Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the financial activities of the primary government (the City) and its component unit. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds.

Proprietary Funds

Enterprise Fund - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Sanitation, Water, and Sewer Funds. The Water and Sewer Funds are reported as major funds in the current year.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund - Payroll Revolving Account. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item ‘b’ below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

(D) Cash and Investments

For the purpose of the Statement of Net Position and the proprietary fund Statement of Cash Flows, cash and cash equivalents include all demand savings accounts and certificates of deposit of the City.

Investments are carried at cost.

(E) Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as interfund receivables and payables. Interfund receivables and payables between funds within governmental and business-type activities are eliminated in the Statement of Net Position.

(F) Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The City uses the direct write-off method for uncollectible accounts receivable. Major receivable balances for the governmental activities consist of property taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and other intergovernmental revenues, since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables.

(G) Due from/to Component Unit

Amounts owed between the primary government (City) and its component unit are classified as "due to/from primary government and "due to/from component unit" on the Statement of Net Position. At year-end, the City reported \$93,075 due to the Tourism Commission for restaurant/transient room taxes collected by the City. The City also reported \$158,508 due from the Tourism Commission for debt service reimbursements. These amounts are expected to be settled within the next fiscal year.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase

(I) Restricted Assets

Restricted assets in the governmental funds consist of cash legally restricted for perpetual care of the cemetery and to meet the requirements of state funding. Proprietary fund restricted assets include cash and investments that are legally restricted as to their use. The proprietary restricted assets are related to debt retirement and utility water deposits.

(J) Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

(K) Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) 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.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets over \$1,000 are capitalized at cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at acquisition value. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1970) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25-50 years
Furniture and fixtures	5-7 years
Vehicles	5-7 years
Machinery and equipment	3-20 years
Utility system	25-50 years
Infrastructure	25-50 years

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

(L) 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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of capital lease obligations and notes payable. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are expensed in the period incurred.

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 are reported as expenditures. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses in the current period. Issuance costs are reported as debt issuance expenditures in the period incurred. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

(M) Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds.
- c. Unrestricted net position - Consists of all other net position that does not meet the definition of the above two components and are available for general use by the City.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2018.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Local Government Economic Assistance (LGEA) resources as being restricted because their use is restricted by state statute for general governmental expenditures. Municipal Road Aid (MRA) resources are restricted by state statute and county laws and are legally segregated for funding of municipal road improvements. Cemetery resources are restricted by trust covenants and state statute for the general care and maintenance of the cemetery. Certain funds have been restricted for the repayment of debt related to the construction of an amphitheater.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2018.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds for general operating expenses of the Community Pride Fund.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned

This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balance first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

(N) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 expenses during the reporting period. Actual results could differ from those estimates.

(O) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent November 15. All unpaid taxes at that time are subject to a 10% penalty and 12% interest per year. The City bills and collects its own property tax.

(P) Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

(Q) Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, governmental expenditures are classified as current (further classified by function), debt service, and capital outlay. Proprietary funds are classified as operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

(R) Nonexchange Transactions

The recognition of, respectively, assets, liabilities, and expenses/expenditures resulting from nonexchange transactions of the City of Beaver Dam are as follows.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 1) Imposed nonexchange revenues – Property taxes are assessed January 1 of each year. The City does not have an enforceable legal claim to the taxes until one year from that date. However, tax bills are mailed October of the year they are assessed and collected before the end of that fiscal year; therefore, the asset/revenue is recognized when it is received.

The City imposes a 6.9 percent insurance premium tax on insurance premiums sold within the City limits for casualty, automobile, inland marine and fire and allied perils. The tax is due no later than thirty (30) days after the end of each calendar quarter.

- 2) Government-mandated nonexchange transactions – The City receives Municipal Road Aid and Local Government Economic Assistance funds from the state of Kentucky. These funds are required to be spent for specific purposes. Resources are recognized as revenues when received and expenses/expenditures when paid.
- 3) Voluntary nonexchange transactions – The City receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

(S) Budgetary Information

Annual budgets are adopted on an accrual basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The City is required to submit estimated receipts and proposed expenditures to the city commissioners by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the city commission by July 1.

The City may change the original budget by transferring appropriations at the activity level; however, the City may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

(T) Impairment of Long-lived Assets

The City reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2018.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

(U) Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS), and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

(V) Deferred Outflows of Resources

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

(W) Deferred Inflows of Resources

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

(X) Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local governmental unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

(A) Fund Accounting Requirements

The city complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the Road and LGEA Funds restricted by state law.

(B) Fund Equity Restrictions - Deficit Prohibition

Kentucky Revised Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2018.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONCLUDED)

(C) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain Commonwealth of Kentucky or political subdivision debt obligations, or surety bonds. As required by Kentucky Revised Statutes 66.480(1)(d) and 41.240(4), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. The only investment of the City is one share of Ohio County Industrial Foundation stock stated at cost.

(D) Debt Restrictions and Covenants - General Obligation Debt

Kentucky Revised Statutes limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2018, the City incurred no such additional debt.

NOTE 3 - CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's cash was \$3,373,418 and the bank balance was \$3,386,662. Of the total bank balance, \$575,393 was covered by federal depository insurance, \$118,341 was covered by federally guaranteed securities, and the remaining balance of \$2,692,928 would require collateralization. As of June 30, 2018, \$4,006,280 was pledged with securities held by the pledging banks' trust departments but not in the name of the City.

The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the City's name.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240 (4) and does not have a deposit policy for custodial risk.

NOTE 4 - INTERFUND BALANCES

At year-end, the City's interfund balances were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Payroll	\$10,383	Payroll
Sanitation	Payroll	984	Payroll
Sewer	Payroll	2,790	Payroll
Water	Payroll	870	Payroll
Water	Sewer	319	Advance for operations
MRA	Payroll	587	Payroll
Payroll	Cemetery	1	Payroll
Payroll	General	14	Payroll

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities and government funds consist of property, insurance premium, alcohol, restaurant and transient room taxes receivable.

NOTE 6 - PREPAYMENTS

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
<u>Governmental Activities</u>				
Non-Depreciable Assets				
Construction in progress	\$ 18,199	\$ 424,735	\$ (18,199)	\$ 424,735
Land	441,186	-	-	441,186
Total Non-Depreciable Assets	<u>459,385</u>	<u>424,735</u>	<u>(18,199)</u>	<u>865,921</u>
Capital Assets				
Buildings	3,562,287	179,847	-	3,742,134
Land improvements	732,967	69,246	-	802,213
Furniture and fixtures	9,716	-	(411)	9,305
Vehicles	684,764	31,123	-	715,887
Machinery and equipment	857,103	50,225	(49,888)	857,440
Infrastructure	<u>2,654,771</u>	<u>110,971</u>	<u>-</u>	<u>2,765,742</u>
Total Capital Assets Being Depreciated	<u>8,501,608</u>	<u>441,412</u>	<u>(50,299)</u>	<u>8,892,721</u>
Less Accumulated Depreciation for				
Buildings	(431,151)	(93,543)	-	(524,694)
Land improvements	(146,738)	(43,917)	-	(190,655)
Furniture and fixtures	(9,716)	-	411	(9,305)
Vehicles	(546,704)	(42,196)	-	(588,900)
Machinery and equipment	(602,176)	(34,842)	49,888	(587,130)
Infrastructure	<u>(1,821,215)</u>	<u>(56,478)</u>	<u>-</u>	<u>(1,877,693)</u>
Total Accumulated Depreciation	<u>(3,557,700)</u>	<u>(270,976)</u>	<u>50,299</u>	<u>(3,778,377)</u>
Capital Assets, Net	<u>\$ 5,403,293</u>	<u>\$ 595,171</u>	<u>\$ (18,199)</u>	<u>\$ 5,980,265</u>
<u>Governmental Activities</u>				
Depreciation Expense:				
General government				\$ 22,950
Public safety				62,270
Streets				54,861
Cemetery				1,056
Parks and recreation				<u>129,839</u>
Total Depreciation Expense – Governmental Activities				<u>\$ 270,976</u>

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 - CAPITAL ASSETS (CONCLUDED)

	<u>Primary Government</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	
<u>Business-Type Activities</u>				
Capital Assets				
Utility plants				
Waterworks	\$1,670,213	\$ -	\$ -	\$1,670,213
Wastewater treatment plant	1,407,183	-	-	1,407,183
Sewage disposal system	2,020,597	-	-	2,020,597
Land and land improvements	159,172	-	-	159,172
Machinery and equipment	584,618	19,413	-	604,031
Vehicles	374,483	-	-	374,483
Building improvements	66,023	-	(6,498)	59,525
Office equipment	48,972	-	(10,636)	38,336
Total Capital Assets Being Depreciated	<u>6,331,261</u>	<u>19,413</u>	<u>(17,134)</u>	<u>6,333,540</u>
Less Accumulated Depreciation for				
Utility plants				
Waterworks	(1,023,085)	(43,635)	-	(1,066,720)
Wastewater treatment plant	(749,577)	(34,351)	-	(783,928)
Sewage disposal system	(522,964)	(46,678)	-	(569,642)
Land and land improvements	(9,745)	(1,766)	-	(11,511)
Machinery and equipment	(556,374)	(6,514)	-	(562,888)
Vehicles	(247,284)	(28,527)	-	(275,811)
Building improvements	(35,824)	(1,400)	6,498	(30,726)
Office equipment	(48,972)	-	10,636	(38,336)
Total Accumulated Depreciation	<u>(3,193,825)</u>	<u>(162,871)</u>	<u>17,134</u>	<u>(3,339,562)</u>
Capital Assets, Net	<u>\$3,137,436</u>	<u>\$(143,458)</u>	<u>\$ -</u>	<u>\$2,933,978</u>

Business-Type Activities

Depreciation Expense:

Water	\$ 55,899
Sewer	87,945
Sanitation	19,027
Total Depreciation Expense - Business-Type Activities	<u>\$ 162,871</u>

NOTE 8 - ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds, governmental activities, enterprise funds, and business-type activities are composed of payables to vendors and taxing authorities.

NOTE 9 - LONG-TERM DEBT

Governmental Activities

As of June 30, 2018, the governmental long-term debt of the financial reporting entity consisted of the following:

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	<u>Current Portion</u>	<u>Noncurrent Portion</u>	<u>Total</u>
Kentucky League of Cities – 3.75% interest rate, maturity date – March 1, 2028 – purchase of land for park	\$ 12,448	\$ 138,009	\$ 150,457
Kentucky Bond Corporation – 2.00%–4.00% variable interest rate, maturity date – February 1, 2041 – bonded lease agreement for construction of an amphitheater	55,000	1,885,000	1,940,000
Charles Ashby – 0% interest rate, maturity date – July 31, 2018 – real estate purchase	100,000	-	100,000
Total Long-Term Debt	<u>\$ 167,448</u>	<u>\$2,023,009</u>	<u>\$2,190,457</u>

Business-type Activities

As of June 30, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Current Portion</u>	<u>Noncurrent Portion</u>	<u>Total</u>
Kentucky Infrastructure Authority – 1% interest rate, maturity date – June 1, 2028	\$ 29,996	\$ 283,863	\$ 313,859

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Kentucky Bond Corporation	\$1,995,000	\$ -	\$ 55,000	\$1,940,000	\$ 55,000
Charles Ashby	175,000	-	75,000	100,000	100,000
Kentucky League of Cities	162,358	-	11,901	150,457	12,448
Net Pension Liability	549,941	392,859	-	942,800	-
Net OPEB Liability	253,986	69,822	-	323,808	-
Total	<u>\$3,136,285</u>	<u>\$462,681</u>	<u>\$141,901</u>	<u>\$3,457,065</u>	<u>\$167,448</u>
<u>Business-Type Activities</u>					
KY Infrastructure Authority	\$343,557	\$ -	\$ 29,698	\$313,859	\$ 29,996
Net Pension Liability	666,204	-	66,716	599,488	-
Net OPEB Liability	161,498	44,399	-	205,897	-
Total	<u>\$1,171,259</u>	<u>\$ 44,399</u>	<u>\$ 96,414</u>	<u>\$1,119,244</u>	<u>\$ 29,996</u>

Capital Lease Obligations

The City has entered into a capital lease agreement under which the related asset (amphitheater) will become the property of the City when all terms of the lease agreement are met. The interest rate varies from 2% to 4%. The schedule of future minimum lease payments on the capital lease as of June 30, 2018 is as follows:

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 - LONG-TERM DEBT (CONCLUDED)

Year Ending June 30,	Governmental Activities
2019	\$ 120,681
2020	124,581
2021	123,381
2022	121,581
2023	124,781
Thereafter	2,263,707
Future Minimum Payments	2,878,712
Less Interest	(938,712)
Present Value of Future Minimum Payments	\$1,940,000

Property and related accumulated depreciation under the capital lease are as follows:

	Governmental Activities
Amphitheater	\$2,029,107
Less: accumulated depreciation	(190,229)
Net Value	\$1,838,878

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2018, are as follows:

Governmental Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 167,448	\$ 68,578	\$ 236,026
2020	73,009	67,229	140,238
2021	73,626	65,753	139,379
2022	74,243	63,680	137,923
2023	79,897	61,589	141,486
2024-2028	437,234	272,798	710,032
2029-2033	430,000	207,838	637,838
2034-2038	540,000	124,663	664,663
2039-2041	315,000	22,600	337,600
	\$2,190,457	\$954,728	\$3,145,185

Business-type Activities

	Sewer Fund		
Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 29,996	\$ 3,064	\$ 33,060
2020	30,297	2,763	33,060
2021	30,600	2,459	33,059
2022	30,907	2,153	33,060
2023	31,217	1,843	33,060
2024-2028	160,842	4,456	165,298
	\$313,859	\$ 16,738	\$330,597

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10 - RESTRICTED NET POSITION

Restricted net position consisted of the following as of June 30, 2018:

<u>Net Position</u>	<u>Amount</u>
Governmental:	
MRA Fund	\$ 19,955
Cemetery Fund	173,985
LGEA Fund	247,853
Community Pride Fund	322
General Fund - Amphitheater	118,341
	<u>\$ 560,456</u>

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The City extends credit to all citizens who live within the City limits and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

NOTE 12 - RESTAURANT AND TRANSIENT ROOM TAX

Effective April 1, 2013, the City established The City of Beaver Dam Tourism Commission for the purpose of promoting and developing tourist activities and facilities. Pursuant to KRS 91A.350 through KRS 91A.390, the City imposed a 3% restaurant and 1% transient room tax on entities doing business within the city limits to fund the operations of the Commission. All monies collected from the taxes are to be turned over to the Tourism Commission, as required by state statute. The City receives an administrative fee of 10% of the funds collected for the costs of collecting and processing the transient room tax and the restaurant tax. At year-end, the City owed the Tourism Commission \$93,075 for taxes collected and accrued.

NOTE 13 - BUDGET VIOLATIONS

During the current fiscal year, the City's general fund incurred line item expenditures in excess of budget. The General Fund and LGEA Fund experienced a reduction in fund.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

The City in conjunction with Ohio County, City of Centertown, and City of Hartford, created the Ohio County Regional Wastewater District. The Ohio County Regional Wastewater District is a joint sewer agency created to own, manage, control and operate a comprehensive wastewater treatment facility within Ohio County, Kentucky. The District's board is comprised of two members of each participating municipality.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 15 - DEFERRED COMPENSATION

The commission voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.275 to provide administration of tax shelter supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS

General Information about the Pension Plan

All full-time and eligible part-time employees of the City participate in the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting

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

Pension Benefits Provided

The information below summarizes the major retirement benefit provisions of CERS Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Pension Benefits Provided (Continued)

Members whose participation began before 8/1/2004:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

<u>Service Credit</u>	<u>Benefit Factor</u>
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Pension Benefits Provided (Concluded)

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

OPEB Benefits Provided

The information below summarizes the major retirement benefit provisions of CERS Non-hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003:

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008:

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The System provides a monthly contribution subsidy of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008:

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Contributions

The City was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal years ended June 30, 2018 and 2017, participating employers contributed 19.18% (14.48% allocated to pension and 4.70% allocated to OPEB) and 18.68% (13.95% allocated to pension and 4.73% allocated to OPEB) as set by KRS, respectively, of each Non-hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investment earnings.

The City has met 100% of the contribution funding requirement for the year ended June 30, 2018. Total current year contributions recognized by the Plan were \$119,839 (\$90,473 related to pension and \$29,366 related to OPEB) for the year ended June 30, 2018. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$6,474.

Members whose participation began before 9/1/2008:

Non-hazardous contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Non-hazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Each member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014:

Non-hazardous contribution equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Information

Total Pension Liability

The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Pension Information (Continued)

Total Pension Liability (Continued)

Price inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 6.25%, which was reduced from the 7.50% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. 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.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Pension Information (Continued)

Discount rate assumptions (Concluded):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100%</u>	<u>6.56%</u>

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the City's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25%, as well as what the City's allocated portion 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:

	<u>1% Decrease</u> 5.25%	<u>Current Discount Rate</u> 6.25%	<u>1% Increase</u> 7.25%
Net pension liability – Non-hazardous	\$1,945,159	\$1,542,288	\$1,205,290

Employer's Portion of the Collective Net Pension Liability

The City's proportionate share of the net pension liability, as indicated in the prior table, is \$1,542,288, or approximately 0.026349%. The net pension liability was distributed based on 2017 actual employer contributions to the plan.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Pension Information (Continued)

Measurement Date

June 30, 2017 is the actuarial valuation date and measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

Changes Since Measurement Date

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Deferred Outflows and Deferred Inflows

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the measurement date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,914	\$39,150
Changes of assumptions	284,595	-
Net difference between projected and actual earnings on pension plan investments	19,076	-
Changes in proportion and differences between City contributions and proportionate share of contributions	55,099	1,891
City contributions subsequent to the measurement date	90,473	-
	\$451,157	\$41,041

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

Pension Information (Concluded)

Deferred Outflows and Deferred Inflows (Concluded)

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$90,473 will be recognized as a reduction of net pension liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$141,428
2020	136,208
2021	61,809
2022	(19,802)

Pension Expense

The City was allocated pension expense of \$290,869 related to the CERS for the year ended June 30, 2018.

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$14,989 (included in payroll liabilities in the Fiduciary Fund Statement of Net Position) for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

OPEB Information

Total OPEB Liability

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

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.05 percent, average
Investment rate of return	6.25 percent
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.25 percent at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.
Post-65	Initial trend starting at 5.10 percent at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 11 years.

CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

OPEB Information (Continued)

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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.84%, which was reduced from the 6.89% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. 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.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.56% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF BEAVER DAM, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

OPEB Information (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100%</u>	<u>6.56%</u>

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(f) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents the City's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the City's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.84%) or 1 percentage point higher (6.84%) than the current rate for non-hazardous:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.84%	5.84%	6.84%
Net OPEB liability	\$674,020	\$529,705	\$409,612

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$406,311	\$529,705	\$690,110

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONTINUED)

OPEB Information (Continued)

Employer's Portion of the Collective OPEB Liability

The City's proportionate share of the net OPEB liability, as indicated in the prior table, is \$529,705, or approximately 0.026349%. The net OPEB liability was distributed based on 2017 actual employer contributions to the plan.

Measurement Date

June 30, 2017 is the actuarial valuation date and measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

Changes Since Measurement Date

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Deferred Outflows and Deferred Inflows

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the measurement date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,471
Changes of assumptions	115,260	-
Net difference between projected and actual earnings on pension plan investments	-	25,034
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,229
City contributions subsequent to the measurement date	29,366	-
	\$144,626	\$ 27,734

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN - COST SHARING-CERS (CONCLUDED)

OPEB Information (Concluded)

Deferred Outflows and Deferred Inflows (Concluded)

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$29,366, which include the implicit subsidy reported of \$6,474, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$15,060
2020	15,060
2021	15,060
2022	15,060
2023	21,318
Thereafter	<u>5,968</u>
Total	<u>\$87,526</u>

OPEB Expense

The City was allocated OPEB expense of \$60,362 related to the CERS for the year ending June 30, 2018.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

NOTE 17 - INTERFUND TRANSFERS OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	MRA	\$175,000	Operations
General	Cemetery	20,000	Operations
LGEA	General	<u>63,915</u>	Operations
		<u>258,915</u>	

NOTE 18 - RELATED PARTY TRANSACTIONS

As explained in Note 1, The City of Beaver Dam Tourism Commission is a component unit of the City of Beaver Dam, Kentucky. The City paid \$513,516 to the Commission during the current year for the restaurant and transient room taxes that were collected. The City received \$298,512 from the Tourism Commission for park maintenance and development, debt service reimbursements, and various capital projects.

Per Note 14, the City is a member of the Ohio County Regional Wastewater District (District). During the year ended June 30, 2018, the City paid the District \$713,585 for sewer disposal.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 19 - CONTINGENCIES

In the normal course of operations, the City participates in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of such is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 20 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. For the fiscal year ended June 30, 2018, City of Beaver Dam, Kentucky, was a member of the Kentucky League of Cities Insurance Service (KLCIS). KLCIS is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, members are responsible for payment of the excess losses. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 21 - NEW ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements

During fiscal year 2018, the City adopted the following accounting pronouncements:

- GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, issued March 2016.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017.

Adoption of these standards did not have a significant impact on the City's financial position or results of operations.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015 aims to improve financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers regarding financial support for OPEB that is provided by other entities.

Adoption of this statement had a significant impact on the City's financial position. As a result, the City restated the July 1, 2017 net position in the amount of (\$381,814) as outlined below:

	<u>Beginning Balance</u>	<u>As Restated</u>	<u>GASB 75 Adjustment</u>
Statement of revenues, expenses and changes in net position			
Net position, July 1, 2017	\$ 8,692,627	\$ 8,310,813	\$ (381,814)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BEAVER DAM, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			Variance from Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 32,800	\$ 32,800	\$ 30,090	\$ (2,710)
Interest income	2,900	2,900	4,992	2,092
Intergovernmental revenues	120,000	120,000	86,059	(33,941)
Licenses and permits	18,000	18,000	21,254	3,254
Miscellaneous revenues	10,000	10,000	36,211	26,211
Payments from component unit	276,000	276,000	298,512	22,512
Taxes	1,540,300	1,540,300	1,615,771	75,471
Total Revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,092,889</u>	<u>92,889</u>
Expenditures				
Current:				
Code enforcement	15,600	15,600	11,357	4,243
General government	452,150	452,150	268,946	183,204
Parks and recreation	152,835	316,835	81,140	235,695
Public safety:				
Fire	59,175	59,175	40,622	18,553
Police	582,400	582,400	457,371	125,029
Tourism-payment to component unit	523,000	523,000	513,516	9,484
Debt Service:				
Principal	12,000	12,000	141,901	(129,901)
Interest	2,700	2,700	69,709	(67,009)
Capital Outlay	<u>75,000</u>	<u>75,000</u>	<u>713,020</u>	<u>(638,020)</u>
Total Expenditures	<u>1,874,860</u>	<u>2,038,860</u>	<u>2,297,582</u>	<u>(258,722)</u>
Excess of Revenues over Expenditures	<u>125,140</u>	<u>(38,860)</u>	<u>(204,693)</u>	<u>(165,833)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	63,915	63,915
Operating transfers out	(130,845)	(130,845)	(195,000)	(64,155)
Total Other Financing Sources (Uses)	<u>(130,845)</u>	<u>(130,845)</u>	<u>(131,085)</u>	<u>(240)</u>
Net Changes in Fund Balance	<u>(5,705)</u>	<u>(169,705)</u>	<u>(335,778)</u>	<u>(166,073)</u>
Fund Balance - July 1, 2017	<u>1,590,809</u>	<u>1,590,809</u>	<u>1,590,809</u>	<u>-</u>
Fund Balance - June 30, 2018	<u>\$ 1,585,104</u>	<u>\$ 1,421,104</u>	<u>\$ 1,255,031</u>	<u>\$ (166,073)</u>

See accompanying note to required supplementary information.

CITY OF BEAVER DAM, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.023916%	0.024822%	0.024700%	0.026349%
City's proportionate share of the net pension liability	\$ 776,000	\$ 1,067,182	\$ 1,216,145	\$ 1,542,288
City's covered-employee payroll	\$ 585,123	\$ 579,100	\$ 589,228	\$ 641,538
City's proportionate share of the net pension liability as a percentage of its covered payroll	132.62%	184.28%	206.40%	240.40%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%

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

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

See accompanying notes to pension schedules.

CITY OF BEAVER DAM, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION CONTRIBUTIONS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 74,107	\$ 70,175	\$ 89,494	\$ 90,473
Contributions in relation to the contractually required contribution	<u>(74,107)</u>	<u>(70,175)</u>	<u>(89,494)</u>	<u>(90,473)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 579,100	\$ 589,228	\$ 641,538	\$ 664,028
Contributions as a percentage of covered payroll	12.80%	11.91%	13.95%	13.62%

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

See accompanying notes to pension schedules.

CITY OF BEAVER DAM, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Last 10 Fiscal Years*

2018

City's proportion of the net OPEB liability	0.026349%
City's proportionate share of the net OPEB liability	\$ 529,705
City's covered-employee payroll	\$ 641,538
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

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

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

See accompanying notes to OPEB schedules.

**CITY OF BEAVER DAM, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OPEB CONTRIBUTIONS**

Last 10 Fiscal Years*

	2018
Contractually required contribution	\$ 29,366
Contributions in relation to the contractually required contribution	(29,366)
Contribution deficiency (excess)	\$ -
City's contributions as a percentage of contractually required contribution for OPEB	100.00%
City's covered-employee payroll	\$ 664,028
Contributions as a percentage of covered payroll	4.70%

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

See accompanying notes to OPEB schedules.

**CITY OF BEAVER DAM, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - BUDGET

The City prepares both its financial statements and budget using accounting principles generally accepted in the United States of America (GAAP). Accordingly, there is no difference in revenues, expenditures, and changes in fund balance between the financial statements and its budget presentation.

NOTE 2 – PENSION

Changes in Assumptions and Benefit Terms:

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

2016: There were no changes in assumptions and benefit terms since the prior measurement date.

2015: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as describe in Schedule D of the CERS actuary report. The changes are noted below:

- 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 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

NOTE 3 – OPEB

Changes in Assumptions and Benefit Terms:

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

SUPPLEMENTARY INFORMATION

**CITY OF BEAVER DAM, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	<u>Special Revenue Funds</u>				Total Nonmajor Funds
	<u>Cemetery Fund</u>	<u>Community Pride Fund</u>	<u>LGEA Fund</u>	<u>MRA Fund</u>	
Assets					
Interfund receivables	\$ 1	\$ -	\$ -	\$ -	\$ 1
Restricted cash	173,985	322	247,853	19,955	442,115
Investments - noncurrent	1,000	-	-	-	1,000
Total Assets	<u>\$ 174,986</u>	<u>\$ 322</u>	<u>\$247,853</u>	<u>\$ 19,955</u>	<u>\$ 443,116</u>
Liabilities					
Accounts payable	\$ 926	\$ -	\$ -	\$ 4,519	\$ 5,445
Accrued liabilities	609	-	-	2,155	2,764
Interfund payables	-	-	-	587	587
Total Liabilities	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>7,261</u>	<u>8,796</u>
Fund Balance					
Restricted for:					
Cemetery maintenance	173,451	-	-	-	173,451
Economic assistance	-	-	247,853	-	247,853
Municipal roads	-	-	-	12,694	12,694
Assigned to community projects	-	322	-	-	322
Total Fund Balances	<u>173,451</u>	<u>322</u>	<u>247,853</u>	<u>12,694</u>	<u>434,320</u>
Total Liabilities and Fund Balances	<u>\$ 174,986</u>	<u>\$ 322</u>	<u>\$247,853</u>	<u>\$ 19,955</u>	<u>\$ 443,116</u>

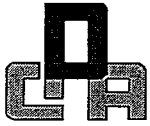
CITY OF BEAVER DAM, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Funds</u>
	<u>Cemetery Fund</u>	<u>Community Pride Fund</u>	<u>LGEA Fund</u>	<u>MRA Fund</u>	
Revenues					
Charges for services	\$ 20,550	\$ 40	\$ -	\$ -	\$ 20,590
Interest income	999	-	262	15	1,276
Intergovernmental revenues	-	-	39,224	66,767	105,991
Miscellaneous revenue	5,375	-	-	272	5,647
Total Revenues	<u>26,924</u>	<u>40</u>	<u>39,486</u>	<u>67,054</u>	<u>133,504</u>
Expenditures					
Current:					
Cemetery	42,024	-	-	-	42,024
Streets	-	-	-	124,120	124,120
Capital Outlay	-	-	23,957	110,971	134,928
Total Expenditures	<u>42,024</u>	<u>-</u>	<u>23,957</u>	<u>235,091</u>	<u>301,072</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,100)	40	15,529	(168,037)	(167,568)
Other Financing Sources (Uses)					
Operating transfers in	20,000	-	-	175,000	195,000
Operating transfers out	-	-	(63,915)	-	(63,915)
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>(63,915)</u>	<u>175,000</u>	<u>131,085</u>
Net Change in Fund Balance	4,900	40	(48,386)	6,963	(36,483)
Fund Balance - July 1, 2017	168,551	282	296,239	5,731	470,803
Fund Balance - June 30, 2018	<u>\$ 173,451</u>	<u>\$ 322</u>	<u>\$ 247,853</u>	<u>\$ 12,694</u>	<u>\$ 434,320</u>

**CITY OF BEAVER DAM, KENTUCKY
SCHEDULE OF CHARGES FOR SERVICES
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds			Total
	Water	Sewer	Nonmajor Fund Sanitation	
Charges for Services:				
Water collections	\$ 557,579	\$ -	\$ -	\$ 557,579
Sewer collections	-	1,154,341	-	1,154,341
Sanitation collections	-	-	184,189	184,189
Public fire protection	8,890	-	-	8,890
Meter charges	3,250	-	-	3,250
Reconnect fees	15,165	-	-	15,165
Tapping charges	-	500	-	500
Lift station maintenance fee	-	4,000	-	4,000
Penalties	11,533	21,571	3,900	37,004
Aqualine billing	41,557	-	-	41,557
	<u>\$ 637,974</u>	<u>\$ 1,180,412</u>	<u>\$ 188,089</u>	<u>\$ 2,006,475</u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Commissioners
City of Beaver Dam, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 5, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 18-1, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Beaver Dam, Kentucky's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

April 5, 2019

**CITY OF BEAVER DAM, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Finding: 18-1

<i>Condition:</i>	The Commission does not account for material advance ticket sales and deposits on future events.
<i>Criteria:</i>	Generally accepted accounting principles for government-wide financial statements require inclusion of prepayments and unearned revenues.
<i>Cause:</i>	The Commission's accounting system provides for only cash receipts and disbursements and adjustments for year-end accounts payable.
<i>Effect:</i>	Financial statement amounts may be misstated.
<i>Recommendation:</i>	The Commission should work with its accountants at year end to determine whether any cash receipts and disbursements apply to future events and record the appropriate transactions.
<i>Management Response:</i>	<i>We will contact our accountants for their assistance in recording these amounts.</i>