CITY OF GRAND RIVERS, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

CITY OF GRAND RIVERS, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025
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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor Tom Moodie
and Members of the City Council
City of Grand Rivers, Kentucky
Grand Rivers, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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EDDYVILLE, KY 42038

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

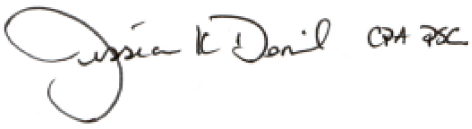
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 38-40 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2026, on our consideration of the City of Grand Rivers, Kentucky's internal control over financial reporting and 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 the effectiveness of the City of Grand Rivers, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rivers, Kentucky's internal control over financial reporting and compliance.



Eddyville, Kentucky
August 28, 2026

CITY OF GRAND RIVERS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025
(UNAUDITED)

The City of Grand Rivers, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's primary governmental financial activities for the year ended June 30, 2025. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

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

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year ended June 30, 2025.

- The total assets of the City exceed is total liabilities and deferred inflows of resources at the close of the 2025 fiscal year by $6,639,425 (Net Position). Of this amount, $154,057 represents the unrestricted net position.
- The City's total net position decreased by $1,093,667 during the year. Governmental activities decreased the City's net position by $810,138 and business-type activities decreased the City's net position by $283,529.
- The City's governmental fund balance, a measure of current financial resources, increased in the governmental funds by $131,319 to a June 30, 2025, fund balance of $258,716. Of that balance $42,658 is restricted, $141,114 is assigned, and $7,793 is non-spendable, leaving an unrestricted balance of $67,151. Unrestricted fund balance is available to the City for general operations.
- The Statement of Revenues, Expenditures and Changes in Fund Balance shows that the Governmental Fund revenues exceeded expenditures by $131,319.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, cemetery, and culture and recreation. The business-type activities of the City include water, sewer, and internet. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Internet Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the Financial Statements
The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-37 of this report.

Supplementary Information
In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules as required. Required supplementary information can be found on pages 38-40 of this report. The City also reports supplemental information for combining non-major funds which can be found on pages 41-42 of this report.

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

The government-wide financial statements report that during the year ending June 30, 2025, the City received $174,562 in operating and capital grants and contributions. Revenue from taxes and charges for services were $844,210 and $1,694,633 respectively. Expenses directly related to programs offered by the City were $4,216,405. The Statement of Activities reflects the current year decrease of $1,093,667.

- The fund financial statements report General Fund ordinary revenues of $771,226. Expenditures for the year ending June 30, 2025 total $1,470,733.
- Grand Rivers Tourism Fund revenue totaled $491,104. Expenditures from the Grand Rivers Tourism Fund were $490,824.
- ABC Fund revenue totaled $133,280. Expenditures from the ABC Fund were $116,381
- The other governmental funds generated ordinary revenues of $24,233, while expenditures total $16,130.

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

CITY OF GRAND RIVERS, KENTUCKY'S NET POSITION

Assets	2025	2024
Current and other assets	$ 835,507	$ 751,947
Noncurrent assets, net	12,557,568	12,835,725
Total Assets	13,393,075	13,587,672
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	5,764,244	5,085,154
Other liabilities	668,705	446,367
Total Liabilities	6,432,949	5,531,521
Deferred inflows of resources	320,701	323,059
Total Liabilities and Deferred Inflows of Resources	6,753,650	5,854,580
Net Position		
Invested in capital assets net of related debt	6,146,648	7,262,127
Restricted	338,720	279,080
Unrestricted	154,057	191,885
Total Net Position	$ 6,639,425	$ 7,733,092

CITY OF GRAND RIVERS, KENTUCKY
CHANGES IN NET POSITION

	2025	2024
Revenues		
Program revenues		
Charges for services	$ 1,694,633	$ 1,484,531
Grants and contributions	174,562	68,573
General revenues		
Taxes and regulatory fees	977,490	919,354
Gain/(loss) on sale of assets	-	(9,762)
Other	151,123	96,957
Interest income	15,049	13,866
Capital contributions	3,701	-
Rental income	104,056	91,665
Cemetery income	2,124	4,112
Total revenues	3,122,738	2,669,296
Expenses		
General government	528,856	514,679
Culture and recreation	629,457	632,560
Public works	899,004	71,812
Cemetery	13,802	12,341
Public safety	116,380	88,653
Interest expense	46,247	17,440
Loan fees	-	-
Business-type activities	1,982,659	1,558,195
Total Expenses	4,216,405	2,895,680
Change in net position	(1,093,667)	(226,384)
Net position - beginning, restated	7,733,092	7,862,919
Net position - ending	$ 6,639,425	$ 7,636,535

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the City council anticipated no increase or decrease in the General Fund balance. The actual revenues exceeded budgeted revenues received by $72,226 in the General Fund. Actual expenditures exceeded budgeted expenditures by $771,733. The budgetary figures and actual amounts are reported in the supplementary information on page 38.

The original and final Grand Rivers Tourism Fund budget passed by the council anticipated a no increase or decrease in the General Fund balance. The actual revenue received exceeded budgeted revenue by $24,408 in the Grand Rivers Tourism Fund. Actual expenditures exceeded budgeted expenditures by $24,128. The budgetary figures and actual amounts are reported in the supplementary information on page 39.

The original and final ABC Fund budget passed by the City council anticipated no increase or decrease in the ABC fund balance. The actual revenues exceeded budgeted revenue received by $26,280 in the ABC fund. Actual expenditures exceeded budgeted expenditures by $9,381. The budgetary figures and actual amounts are reported in the supplementary information on page 40.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2025, was $1,987,417. The City's investment in capital assets for its business-type activities as of June 30, 2025, was $10,287,835. This investment includes land, buildings, vehicles and equipment, net of depreciation. The City placed in service various assets during the year totaling $363,247. Carrying values of the City's capital assets are as follows:

Governmental activities:	2025	2024
Capital assets, not being depreciated:		
Land	$ 315,052	$ 315,052
Total capital assets, not being depreciated	315,052	315,052
Capital assets, being depreciated (net):		
Land improvements	835,032	916,289
Buildings and improvements	724,142	784,432
Infrastructure	67,994	67,994
Furnishings, fixtures, and equipment	33,595	40,526
Vehicles	11,602	14,864
Total capital assets, being depreciated (net)	1,672,365	1,824,105
Governmental activities capital assets, net	$ 1,987,417	$ 2,139,157

Business-type activities:	2025	2024
Capital assets, not being depreciated:		
Land	$ 110,733	$ 110,733
Construction in progress	6,137	-
Total capital assets, not being depreciated	116,870	110,733
Capital assets, being depreciated:		
Buildings and improvements	10,075,518	10,236,042
Machinery and equipment	95,447	57,673
Total capital assets, being depreciated	10,170,965	10,293,715
Business-type activities capital assets, net	$ 10,287,835	$ 10,404,448

Long-term and other debt

At the end of the current fiscal year, the City had a total outstanding debt for the governmental and business-type activities of $1,254,685 and $4,710,937 respectively. The debt is related to equipment and improvements to existing capital assets.

During the next fiscal year, the General Fund amount due is $81,944 and the remainder is scheduled to be paid out in 2045. Interest expense for 2025 was $46,247. The proprietary fund debt is payable from charges for water and sewer services and for playhouse remodel. The amount due during the next fiscal year for proprietary fund debt is $119,434 and the remainder is scheduled to be paid out in 2055. Interest expense paid by the proprietary funds for 2025 was $123,587.

The Badgett Playhouse Fund has a line of credit and a new loan with First Kentucky Bank for the playhouse renovations. The line of credit is for $150,000 and as of June 30, 2025, the full amount has been drawn. The Badgett Playhouse Fund also took out a note payable from First Kentucky Bank for the playhouse renovations that totaled $75,000.

The City has a new bond debt agreement with Kentucky Bond Corporation to fund current year paving projects. The amount financed was $805,000.

Additional information on the City's long-term debt can be found in Notes 9 and 10 of this report.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the City of Grand Rivers, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Tom Moodie, Mayor, City of Grand Rivers, Kentucky - 122 W Cumberland Ave, Grand Rivers, KY 42045.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-type Activities	Totals
Assets			
Current Assets			
Cash equivalents	$ 102,214	$ 263	$ 102,477
Accounts receivable (net)			
Fees and services	10,264	125,129	135,393
Taxes	110,025	-	110,025
Regulatory fees	20,297	-	20,297
Unbilled revenue	3,699	52,625	56,324
Intergovernmental receivable	553	-	553
Lease receivable	9,802	-	9,802
Interfund balances	67,598	(67,598)	-
Inventory	-	93,538	93,538
Prepaid expenses	7,793	9,979	17,772
Restricted assets			
Cash equivalents	42,105	247,221	289,326
Total Current Assets	374,350	461,157	835,507
Noncurrent Assets			
Lease receivable	282,316	-	282,316
Land and construction in progress	315,052	116,870	431,922
Depreciable capital assets, net of depreciation	1,672,365	10,170,965	11,843,330
Total Noncurrent Assets	2,269,733	10,287,835	12,557,568
Total Assets	2,644,083	10,748,992	13,393,075
Liabilities			
Current Liabilities			
Accounts payable	75,276	92,577	167,853
Meter deposits payable	-	48,841	48,841
Compensated absences	3,706	9,977	13,683
Accrued payroll	4,764	8,724	13,488
Taxes withheld and accrued	2,322	7,370	9,692
Accrued interest	22,642	45,959	68,601
Line of credit	-	145,169	145,169
Long-term debt due in one year	81,944	119,434	201,378
Total Current Liabilities	190,654	478,051	668,705
Noncurrent Liabilities			
Long-term debt due after one year	1,172,741	4,591,503	5,764,244
Total Noncurrent Liabilities	1,172,741	4,591,503	5,764,244
Total Liabilities	1,363,395	5,069,554	6,432,949
Deferred Inflows of Resources			
Deferred revenue - leases	283,124	-	283,124
Deferred revenue - bond premium	17,813	-	17,813
Property taxes	19,764	-	19,764
Total Deferred Inflows of Resources	320,701	-	320,701
Net Position			
Invested in capital assets, net of related debt	714,919	5,431,729	6,146,648
Restricted for			
Public works	553	-	553
Debt service	42,105	247,221	289,326
Customer deposits	-	48,841	48,841
Unrestricted	202,410	(48,353)	154,057
Total Net Position	$ 959,987	$ 5,679,438	$ 6,639,425

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	$ 528,856	$ 146,951	$ -	$ -	$ (381,905)	$ -	$ (381,905)
Culture and recreation	629,457	-	11,291	-	(618,166)	-	(618,166)
Public works	899,004	-	12,942	-	(886,062)	-	(886,062)
Public safety	116,380	-	-	-	(116,380)	-	(116,380)
Cemetery maintenance	13,802	-	-	-	(13,802)	-	(13,802)
Interest on long-term debt	46,247	-	-	-	(46,247)	-	(46,247)
Total governmental activities	2,233,746	146,951	24,233	-	(2,062,562)	-	(2,062,562)
Business-type activities							
Water system	803,703	763,195	-	150,329	-	109,821	109,821
Sewer system	830,982	597,295	-	-	-	(233,687)	(233,687)
Badgett Playhouse	337,147	177,114	-	-	-	(160,033)	(160,033)
Internet	10,827	10,078	-	-	-	(749)	(749)
Total business-type activities	1,982,659	1,547,682	-	150,329	-	(284,648)	(284,648)
Total Primary Government	$ 4,216,405	$ 1,694,633	$ 24,233	$ 150,329	(2,062,562)	(284,648)	(2,347,210)
General Revenues and Transfers							
Taxes							
Property					369,758	-	369,758
Tourism					330,426	-	330,426
Franchise and other					32,206	-	32,206
Occupational					111,820	-	111,820
Regulatory fees					133,280	-	133,280
Miscellaneous					151,123	-	151,123
Rental income					104,056	-	104,056
Cemetery					2,124	-	2,124
Interest income					11,245	3,804	15,049
Contributed capital					-	3,701	3,701
Transfers					6,386	(6,386)	-
Total General Revenues and Transfers					1,252,424	1,119	1,253,543
Change in Net Position					(810,138)	(283,529)	(1,093,667)
Net Position at Beginning of Year					1,770,125	5,866,410	7,636,535
Prior period adjustments (See Note 14)					-	96,557	96,557
Net Position at End of Year					$ 959,987	$ 5,679,438	$ 6,639,425

See accompanying notes to financial statemetns.

CITY OF GRAND RIVERS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General	Grand Rivers Tourism	ABC	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash equivalents	$ 88,247	$ 6,850	$ 7,117	$ -	$ 102,214
Accounts receivable					
Taxes	66,671	43,354	-	-	110,025
Fees and services	10,264	-	-	-	10,264
Regulatory fees	-	-	20,297	-	20,297
Unbilled revenue	3,699	-	-	-	3,699
Intergovernmental receivables	-	-	-	553	553
Prepaid expenses	7,793	-	-	-	7,793
Due from other funds	-	63,176	17,008	-	80,184
Restricted assets					
Cash equivalents	42,105	-	-	-	42,105
Total Assets	$ 218,779	$ 113,380	$ 44,422	$ 553	$ 377,134
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 63,678	$ 8,146	$ 3,452	$ -	$ 75,276
Taxes withheld and accrued	1,122	1,200	-	-	2,322
Accrued payroll	2,827	1,937	-	-	4,764
Compensated absences	1,753	1,953	-	-	3,706
Due to other funds	12,586	-	-	-	12,586
Total Liabilities	81,966	13,236	3,452	-	98,654
Deferred Inflows of Resources					
Property taxes	19,764	-	-	-	19,764
Total Deferred Inflows of Resources	19,764	-	-	-	19,764
Fund Balances					
Nonspendable					
Prepaid expenses	7,793	-	-	-	7,793
Restricted for					
Public works	-		-	553	553
Debt service	42,105		-	-	42,105
Assigned for					
Tourism fund	-	100,144	-	-	100,144
Alcoholic beverage control	-	-	40,970	-	40,970
Unassigned (deficit)	67,151	-	-	-	67,151
Total Fund Balances (deficit)	117,049	100,144	40,970	553	258,716
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 218,779	$ 113,380	$ 44,422	$ 553	$ 377,134

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2025

Fund Balances - Total Governmental Funds		$ 258,716
Amounts reported for governmental activities in the statement of net position are different because of the following reasons.		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
Governmental capital assets	$ 4,814,767	
Less accumulated depreciation	(2,827,350)	1,987,417
Under modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year.		
Lease receivable, net		8,994
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Accrued interest payable	(22,642)	
Debt Premiums	(17,813)	
Debt due within one year	(81,944)	
Debt due after one year	(1,172,741)	(1,295,140)
Net Position of Governmental Activities		$ 959,987

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General	Grand Rivers Tourism	ABC	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property	$ 369,758	$ -	$ -	$ -	$ 369,758
Tourism	-	330,426	-	-	330,426
Franchise and other	32,206	-	-	-	32,206
Occupational	111,820	-	-	-	111,820
Regulatory fees	-	-	133,280	-	133,280
Miscellaneous	21,180	129,943	-	-	151,123
Intergovernmental	-	-	-	24,233	24,233
Rental income	84,590	30,726	-	-	115,316
Charges for services	146,951	-	-	-	146,951
Cemetery income	2,124	-	-	-	2,124
Interest income	2,597	9	-	-	2,606
Total Revenues	771,226	491,104	133,280	24,233	1,419,843
Expenditures					
Current					
General government	391,711	-	-	-	391,711
Culture and recreation	68,990	490,824	-	11,291	571,105
Public works	887,587	-	-	4,839	892,426
Public safety	-	-	116,381	-	116,381
Cemetery maintenance	13,802	-	-	-	13,802
Debt service	82,088	-	-	-	82,088
Capital outlay	26,555	-	-	-	26,555
Total Expenditures	1,470,733	490,824	116,381	16,130	2,094,068
Excess (Deficiency) of Revenues Over Expenditures	(699,507)	280	16,899	8,103	(674,225)
Other Financing Sources (Uses)					
Issuance of long-term debt	805,000	-	-	-	805,000
Premium on long-term debt	18,038	-	-	-	18,038
Issuance cost of long-term debt	(23,880)	-	-	-	(23,880)
Transfers in (out)	8,837	4,471	628	(7,550)	6,386
Total Other Financing Sources (Uses)	807,995	4,471	628	(7,550)	805,544
Net Change in Fund Balances	108,488	4,751	17,527	553	131,319
Fund Balances at Beginning of Year	8,561	95,393	23,443	-	127,397
Fund Balances at End of Year	$ 117,049	$ 100,144	$ 40,970	$ 553	$ 258,716

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balance - Total Governmental Funds		$ 131,319
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	$ 26,555	
Less current year depreciation	(178,295)	(151,740)
Under the modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the net additional revenue associated with receivables recognized this year less the additional revenue from receivables recombined last year.		
Lease receivable payments	46,059	
Recognized unearned income	(48,680)	(2,621)
Governmental funds report debt proceeds and debt premiums as other financing activities. However, those items do not affect net position in the government-wide Statement of Activities.		(822,813)
Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net position in the government-wide Statement of Activities.		58,359
Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities.		(22,642)
Changes in Net Position of Governmental Activities		$ (810,138)

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-type Activities Enterprise Funds				
			Nonmajor Proprietary Funds		
	Water	Sewer	Badgett Playhouse	Internet	Total
Assets					
Current Assets					
Cash equivalents	$ -	$ -	$ 263	$ -	$ 263
Customer receivables (net allowance of doubtful accounts)	70,219	53,709	-	1,201	125,129
Unbilled revenue	29,091	23,168	-	366	52,625
Inventory	81,328	12,210	-	-	93,538
Prepaid expenses	6,281	3,698	-	-	9,979
Restricted assets					
Cash equivalents	-	247,221	-	-	247,221
Total Current Assets	186,919	340,006	263	1,567	528,755
Noncurrent Assets					
Land and work in progress	56,830	60,040	-	-	116,870
Depreciable capital assets, net	1,841,936	8,203,566	124,686	777	10,170,965
Total Noncurrent Assets	1,898,766	8,263,606	124,686	777	10,287,835
Total Assets	2,085,685	8,603,612	124,949	2,344	10,816,590
Liabilities					
Current Liabilities					
Accounts payable	59,837	32,740	-	-	92,577
Meter deposits payable	48,841	-	-	-	48,841
Compensated absences	7,636	2,341	-	-	9,977
Taxes withheld and accrued	3,942	3,428	-	-	7,370
Accrued payroll	4,653	3,082	989	-	8,724
Due to other funds	-	4,422	63,176	-	67,598
Accrued interest payable	104	45,855	-	-	45,959
Line of credit	-	-	145,169	-	145,169
Long-term debt due in one year	17,995	96,223	5,216	-	119,434
Total Current Liabilities	143,008	188,091	214,550	-	545,649
Noncurrent Liabilities					
Long-term debt due after one year	327,074	4,194,747	69,682	-	4,591,503
Total Liabilities	470,082	4,382,838	284,232	-	5,137,152
Net Position					
Invested in capital assets, net of related debt	1,553,697	3,972,636	(95,381)	777	5,431,729
Restricted for debt service	-	247,221	-	-	247,221
Restricted for customer deposits	48,841	-	-	-	48,841
Unrestricted (deficit)	13,065	917	(63,902)	1,567	(48,353)
Total Net Position	$ 1,615,603	$ 4,220,774	$ (159,283)	$ 2,344	$ 5,679,438

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities Enterprise Funds				
			Nonmajor Proprietary Funds		
	Water	Sewer	Badgett Playhouse	Internet	Total
Operating Revenues					
Charges for services	$ 763,195	$ 597,295	$ 177,114	$ 10,078	$ 1,547,682
Total Operating Revenues	763,195	597,295	177,114	10,078	1,547,682
Operating Expenses					
Depreciation	89,692	332,202	5,498	150	427,542
Salaries and wages	198,634	118,788	30,763	-	348,185
Contracted services	24,206	34,754	236,694	4,528	300,182
Purchased water	291,961	-	-	-	291,961
Repairs and maintenance	67,737	70,883	11,682	6,149	156,451
Utilities	15,223	69,026	6,077	-	90,326
Employee benefits	35,018	19,613	-	-	54,631
Materials and supplies	6,072	34,804	13,330	-	54,206
Insurance	19,783	12,947	743	-	33,473
Taxes	16,926	9,723	3,594	-	30,243
Professional	12,196	11,564	3,000	-	26,760
Advertising	3,315	-	8,225	-	11,540
Office supplies	754	6,804	3,849	-	11,407
Gasoline, oil and grease	2,843	5,512	-	-	8,355
Travel	-	-	8,344	-	8,344
Miscellaneous	4,317	490	240	-	5,047
Uniforms	280	-	139	-	419
Total Operating Expenses	788,957	727,110	332,178	10,827	1,859,072
Income (Loss) from Operations	(25,762)	(129,815)	(155,064)	(749)	(311,390)
Nonoperating Revenues (Expenses)					
Interest income	1,902	1,902	-	-	3,804
Grant revenues	150,329	-	-	-	150,329
Interest expense	(14,746)	(103,872)	(4,969)	-	(123,587)
Total Nonoperating Revenues (Expenses)	137,485	(101,970)	(4,969)	-	30,546
Income (Loss) Before Contributions and Transfers	111,723	(231,785)	(160,033)	(749)	(280,844)
Capital contributions	-	3,701	-	-	3,701
Transfers in (out)	(24,122)	16,201	750	785	(6,386)
Change in Net Position	87,601	(211,883)	(159,283)	36	(283,529)
Net Position at Beginning of Year	1,480,483	4,383,619	-	2,308	5,866,410
Prior period adjustment (See Note 14)	47,519	49,038	-	-	96,557
Net Position at End of Year	$ 1,615,603	$ 4,220,774	$ (159,283)	$ 2,344	$ 5,679,438

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities Enterprise Funds				
			Nonmajor Proprietary Funds		
	Water	Sewer	Badgett Playhouse	Internet	Total
Cash Flows From Operating Activities					
Cash received from customers	$ 753,397	$ 594,615	$ 177,114	$ 9,895	$ 1,535,021
Cash payments to suppliers for goods and services	(471,379)	(258,342)	(295,917)	(10,680)	(1,036,318)
Cash payments to employees for services	(194,033)	(116,828)	(29,775)	-	(340,636)
Net Cash Provided (Used) By Operating Activities	87,985	219,445	(148,578)	(785)	158,067
Cash Flows From Noncapital Financing Activities					
Transfers in/(out)	(24,122)	16,201	-	785	(7,136)
Due to/(from) other funds	-	4,422	63,176	-	67,598
Grant proceeds	150,329	-	-	-	150,329
Net Cash Provided (Used) By Noncapital Financing Activities	126,207	20,623	63,176	785	210,791
Cash Flows from Capital and Related Financing Activities					
Capital contributions	-	3,701	-	-	3,701
Principal paid on debt	(26,816)	(110,583)	(4,932)	-	(142,331)
Proceeds from long-term debt	-	-	225,000	-	225,000
Acquisition of property, plant and equipment	(174,532)	(6,137)	(130,184)	-	(310,853)
Interest paid on debt	(14,746)	(104,873)	(4,219)	-	(123,838)
Net Cash Provided (Used) By Capital and Related Financing Activities	(216,094)	(217,892)	85,665	-	(348,321)
Cash Flows from Investing Activities					
Income received on investments	1,902	1,902	-	-	3,804
Net Cash Provided (Used) By Investing Activities	1,902	1,902	-	-	3,804
Net Increase (Decrease) in Cash Equivalents	-	24,078	263	-	24,341
Cash and Cash Equivalents at Beginning of Year	-	223,143	-	-	223,143
Cash and Cash Equivalents at End of Year	$ -	$ 247,221	$ 263	$ -	$ 247,484
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	$ (25,762)	$ (129,815)	$ (155,064)	$ (749)	$ (311,390)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	89,692	332,202	5,498	150	427,542
Change in assets and liabilities					
Decrease (increase) in accounts receivable	(11,504)	(2,680)	-	(186)	(14,370)
Decrease (increase) in prepayments	(17)	330	-	-	313
Decrease (increase) in inventory	9,624	1,775	-	-	11,399
Increase (decrease) in accounts payable	19,645	15,673	-	-	35,318
Increase (decrease) in accrued liabilities	6,307	1,960	988	-	9,255
Net Cash Provided (Used) By Operating Activities	$ 87,985	$ 219,445	$ (148,578)	$ (785)	$ 158,067
Reconciliation of Total Cash					
Current assets - cash	$ -	$ -	$ 263	$ -	$ 263
Restricted assets - cash	-	247,221	-	-	247,221
Total cash	$ -	$ 247,221	$ 263	$ -	$ 247,484

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

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Rivers, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public works (streets and highways), culture and recreation, water distribution, wastewater treatment, cemetery maintenance, health and welfare, public improvements, planning and zoning, and general administrative services.

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

A. The Financial Reporting Entity

The City of Grand Rivers, Kentucky operates under a Mayor/Council form of government. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City. There are no organizations to be included in the reporting entity.

B. Basis of Presentation

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

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

Fund Financial Statements

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

Governmental Funds

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

General Fund

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

Grand Rivers Tourism Fund

The Tourism fund accounts for the collection of hotel/motel and restaurant taxes. These revenues are to be used to promote tourism activities in the Grand Rivers area.

ABC Fund

The ABC Fund accounts for the collection of regulatory fees on alcohol sales. These revenues are to be used to public safety in the Grand Rivers area.

Proprietary Funds

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

Water Fund

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

Sewer Fund

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

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

C. Measurement Focus/Basis of Accounting

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

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

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

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

D. Budgets

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

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and request appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

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

Budget amendments, as allowed by ordinance, require majority approval by the City Council.

E. Cash and Investments

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

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

F. Receivables

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

G. Allowance for Uncollectible Accounts

The City established an allowance for doubtful accounts based off of past collection history. The City has determined that a fair estimate for uncollectible accounts is 4.0% of outstanding receivables.

H. Inventory

Material and supply inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. Adjustments are made to cost of goods sold at year-end when physical counts are performed on inventory items.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

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

K. Capital Assets

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

Buildings and Infrastructure	35-50 years
Land Improvements	10-35 years
Utility Plant	50 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years
Vehicles	5-7 years

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

L. Unearned Revenue

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

M. Postemployment Benefits

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

N. Compensated Absences

The City accrues vacation leave benefits as earned by its employees at June 30. Paid time off is earned for the year on January 1 and any unused time at December 31 is forfeited. These benefits are measured using the pay rates in effect at June 30, 2025. The entire compensated absence liability is reported on the government-wide financial statements and proprietary fund financial statements.

O. Long-Term Debt

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

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

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

Debt issuance costs on long-term debt are amortized over the life of the bond issues using the straight-line method.

P. Deferred Outflows and Inflows of Resources

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

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

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

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

Deferred inflows related to bond premiums. Bond premiums are reported as deferred inflows of resources — not revenue — because they do not represent a current-period increase in net position, but rather a benefit applicable to future periods. Economically, a premium arises when a bond's stated interest rate exceeds the market rate, effectively acting as prepaid interest from the bondholder, so it's recognized as a reduction of interest expense over the life of the debt rather than as immediate income.

Q. Bond Discounts/Issuance Costs

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

R. Interfund Transactions

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

S. Estimates

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

T. Pensions

The City contributes to a Simple IRA plan for all eligible employees. The City will contribute a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The plan is administered by Edward Jones and is established under Section 408(p) of the Internal Revenue Code. The City contributed $10,605 to employee Simple IRA accounts for the year ending June 30, 2025.

U. Net Position

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

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

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

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- **Committed fund balance** - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

V. Adoption of New Accounting Pronouncements

As of June 30, 2025, the GASB has issued the following pronouncements that were adopted by the City during the current fiscal year.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement had no effect on the City's current financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued December 2023. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement had no effect on the City's current financial statements.

Recent Accounting Pronouncements

As of June 30, 2024, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued April 2024. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued September 2024. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability.

Additionally, the disclosure requirements will improve consistency and comparability between governments. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 105, *Subsequent Events*, was issued December 2025. The requirements of this statement are effective for fiscal years beginning after June 15, 2026. The primary objective of this statements is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The City's management has not yet determined the effect this statement will have on the financial statements.

W. Subsequent Events

The City has evaluated subsequent events through August 28, 2026, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE

Excess of Expenditures Over Appropriations in Individual Funds

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2025.

General Fund	$	771,733	Due to underbudgeted public works expenses related to paving.
Grand Rivers Tourism Fund	$	24,128	Due to underbudgeted operating expenses.
ABC Fund	$	9,381	Due to underbudgeted operating expenses.

Deficit Fund Balances/Net Position

A fund balance deficit of $159,283 exists in the Badgett Playhouse Fund. The City has sufficient resources to cover the deficit as of June 30, 2025.

3. DEPOSITS AND INVESTMENTS

A. Statement of Net Position Cash Presentation

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

	Cash on Hand	Deposits	Investments	Total
Cash equivalents	$ 250	$ 102,227	$ -	$ 102,477
Restricted assets				
Cash equivalents	-	289,326	-	289,326
Total	$ 250	$ 391,553	$ -	$ 391,803

B. Deposits

At year end, the carrying amount of the City's demand deposits were $391,803 and the bank balance was $465,507. These demand deposits were held in various financial institutions. Of the bank balance $292,105 was covered by federal depository insurance and the remaining $173,402 was collateralized by securities held by the pledging financial institution's agent or trust department in the City's name.

C. Investments

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state charted banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury, agencies, and instrumentalities.

Interest Rate Risk

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

Credit Risk and Custodial Risk

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

Concentrations of Credit Risk

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

4. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Livingston County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Livingston County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2025, taxes were levied on July 1 and payable on December 31. The tax rate was $0.258 per $100 of assessed valuation for motor vehicles, $0.263 per $100 of assessed valuation of real property, and $0.3788 per $100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

5. RESTRICTED NET POSITION

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the General, Water, and Sewer Funds as of June 30, 2025.

Customer Deposits - Restricted Assets	
Water - Customer deposits	$ 48,841
Debt Requirement Restricted Assets	
General - Bond reserve funds	42,105
Sewer - Bond reserve funds	247,221
Total Restricted Assets	$ 338,167

6. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2025 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 315,052	$ -	$ -	$ 315,052
Construction in progress	-	-	-	-
Total capital assets not being depreciated	315,052	-	-	315,052
Capital assets being depreciated:				
Infrastructure	204,242	-	-	204,242
Land improvements	2,277,007	20,332	-	2,297,339
Buildings	1,655,309	-	-	1,655,309
Furnishings, fixtures, and equipment	307,791	6,223	-	314,014
Vehicles	28,810	-	-	28,810
Total capital assets being depreciated	4,473,159	26,555	-	4,499,714
Less accumulated depreciation for:				
Infrastructure	(136,248)	-	-	(136,248)
Land improvements	(1,360,718)	(101,589)	-	(1,462,307)
Buildings	(870,877)	(60,290)	-	(931,167)
Furnishings, fixtures, and equipment	(267,265)	(13,154)	-	(280,419)
Vehicles	(13,946)	(3,262)	-	(17,208)
Total accumulated depreciation	(2,649,054)	(178,295)	-	(2,827,349)
Total capital assets being depreciated, net	1,824,105	(151,740)	-	1,672,365
Governmental activities capital assets, net	$ 2,139,157	$ (151,740)	$ -	$ 1,987,417

Business-type Activities

A summary of property, plant and equipment at June 30, 2025 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 110,733	$ -	$ -	$ 110,733
Construction in progress	-	6,137	-	6,137
Total capital assets not being depreciated	110,733	6,137	-	116,870
Capital assets being depreciated:				
Buildings and improvements	15,765,165	251,588	-	16,016,753
Machinery and equipment	527,159	53,204	-	580,363
Vehicles	148,151	-	-	148,151
Total capital assets being depreciated	16,440,475	304,792	-	16,745,267
Less accumulated depreciation for:				
Buildings and improvements	(5,529,123)	(412,112)	-	(5,941,235)
Machinery and equipment	(469,486)	(15,430)	-	(484,916)
Vehicles	(148,151)	-	-	(148,151)
Total accumulated depreciation	(6,146,758)	(427,542)	-	(6,574,302)
Total capital assets being depreciated, net	10,293,717	(122,750)	-	10,170,965
Business-type activities capital assets, net	$ 10,404,450	$ (116,613)	$ -	$ 10,287,835

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 113,363
Public safety	5,461
Public works	1,117
Culture and recreation	58,354
Total depreciation expense - governmental activities	$ 178,295
Business-type activities:	
Water	$ 89,692
Sewer	332,202
Badgett Playhouse	5,498
Internet	150
Total depreciation expense - business type activities	$ 427,542

7. LEASES

Minihan Productions, LLC

The City entered into an agreement between the Grand Rivers Tourism Commission and Minihan Productions, LLC, to sublease the Badgett Playhouse. The initial agreement dated June 15, 2005, for 10 years, was renewed January 1, 2015 for an additional 10 years, through December 31, 2024. Minihan Productions agrees to pay the Grand Rivers Tourism Commission a sum of $40,000 annually from sales at a rate of 8%. The Grand Rivers Tourism Commission agrees to pay the City of Grand Rivers a sum of $8,000 annually to be paid at a rate of 2% of gross receipts collected by Minihan until the amount is paid in full each year. Should the percentage be insufficient, a settlement is due within 30 days of the calendar year end for the remaining balance. The agreement terminated on December 31, 2024.

Lighthouse Landing

The City entered into an agreement with Phillip and Brenda Colburn to sublease the land known as Lighthouse Landing. An Assignment, Assumption and Amendment of Lease was signed with an effective date of September 15, 2021. The remaining term of the lease is for a period of forty-three and one-half years. The annual lease is for $18,000 with an additional $6,000 per year for the Grand Rivers Ball Park Area.

The following is a schedule of future minimum rentals under the lease agreements at June 30, 2025:

June 30,	Principal	Lease Interest	Total
2026	$ 9,802	$ 8,198	$ 18,000
2027	4,006	7,994	12,000
2028	4,122	7,878	12,000
2029	4,241	7,759	12,000
2030	4,363	7,637	12,000
2031-2035	23,780	36,220	60,000
2036-2040	27,417	32,583	60,000
2041-2045	31,611	28,389	60,000
2046-2050	36,446	23,554	60,000
2051-2055	42,021	17,979	60,000
2056-2060	48,449	11,551	60,000
2061-2065	55,860	4,141	60,001
Total	$ 292,118	$ 193,883	$ 486,001

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2025. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

9. LONG-TERM DEBT

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

Governmental Activities
As of June 30, 2025, the governmental long-term debt consisted of the following:

Current portion general obligation bonds and notes	
Lease obligations	$ 38,853
Note obligations	43,091
Total current portion	81,944
Noncurrent portion general obligation bonds and notes	
Lease obligations	950,833
Note obligations	221,908
Total noncurrent portion	1,172,741
Total General Bond and Note Obligations	$ 1,254,685

Lease Payable
The City entered into a leasing agreement on November 30, 2016, with the Kentucky Bond Corporation to help finance the sidewalk and streetlight project. The total amount financed was $260,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning February 1, 2017 (the monthly payments vary and range from $1,624 to $1,729). The last scheduled payment is January 1, 2037. The lease agreement provides financing rates of approximately 4.20%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2025, is $175,833.

On December 30, 2023, the City entered into a capital lease agreement with De Lage Landen Public Finance, LLC. The total amount financed was $33,591 for a new HVAC unit at City Hall. Payments of $1,506 are due monthly for twenty-four payments. Once the City has completed the Lease-Purchase Agreement ownership will transfer to the City. The balance as of June 30, 2025, is $8,853.

The City entered into a leasing agreement on October 31, 2024, with the Kentucky Bond Corporation to help finance paving projects. The total amount financed was $805,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning December 1, 2024 (the monthly payments vary and range from $4,671 to $5,250). The last scheduled payment is January 1, 2045. The lease agreement provides financing rates of approximately 4.00%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2025, is $805,000.

General Notes Payable
First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to the community center. The agreement was entered into on June 16, 2015, with an available amount of $80,000 with an interest rate of 4.49% and a maturity date of June 16, 2020. This loan was refinanced on June 22, 2020, for the amount of $53,311. The loan calls for monthly payments with an interest rate of 4.24%. As of June 30, 2025, the principal balance is $17,436.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to city hall. The agreement was entered into on March 31, 2022, for the amount of $100,000 with an interest rate of 4.00% and a maturity date of April 3, 2027. The loan calls for monthly payments of $1,845. As of June 30, 2025 the principal balance is $38,916.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to city hall and for construction of a new maintenance shop. The agreement was entered into in August 2022. The project was financed in two parts. The first loan totaled $350,000 and has an interest rate of 4.75%. The loan is financed over sixty months with the first eighteen payments being interest only. The note is scheduled to mature on August 11, 2027 with a balloon payment of $312,506. This loan will be recognized thirty-three percent General Fund, thirty-three percent Sewer Fund, and thirty-four percent water fund. As of June 30, 2025, the General Fund outstanding balance is $110,252. The second loan totaled $300,000 and has an interest rate of 6.68%. The loan is financed over sixty months with the first eighteen being interest only. The note is scheduled to mature on September 12, 2028, with a balloon payment of $289,902. As of June 30, 2025, the outstanding General Fund portion is $98,395.

Business-Type Activities

As of June 30, 2025, the leases and notes payable from proprietary fund resources consisted of the following:

Line of credit	$ 145,169
Current portion proprietary leases, notes and bonds	
Note obligations	$ 27,934
Bond obligations	91,500
Total current portion	119,434
Noncurrent portion proprietary leases, notes, and bonds	
Note obligations	607,003
Bond obligations	3,984,500
Total noncurrent portion	4,591,503
Total Proprietary Lease, Note, and Bond Obligations	$ 4,710,937

Proprietary Line of Credit

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank for a line of credit totaling $150,000 on January 22, 2025. The funds were used for the remodel of the Badgett Playhouse. The line of credit calls for monthly payments with an interest rate of 7.25% and renews annually. During the fiscal year the full $150,000 was drawn and the principal balance as of June 30, 2025 is $145,169.

Proprietary Notes Payable

Kentucky Infrastructure Authority - The City entered into a loan agreement with Kentucky Infrastructure Authority for $263,000. The project consisted of Lake City waterline improvements and water tank repairs. The project was completed in June 2015. The loan calls for semi-annual payments due June 1 and December 1 with an interest rate of .75% and was financed over 20 years. The principal balance at June 30, 2025 is $136,420.

First Kentucky Bank - The City entered into a loan agreement with First Kentucky Bank for $125,175 on June 1, 2020. The funds were used for water (12%) and sewer (88%) repairs. The loan calls for monthly payments with an interest rate of 4.00% and was financed over 5 years. The loan was paid in full during the fiscal year ending June 30, 2025.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to city hall and for construction of a new maintenance shop. The agreement was entered into in August 2022. The project was financed in two parts. The first loan totaled $350,000 and has an interest rate of 4.75%. The loan is financed over sixty months with the first eighteen being interest only. The note is scheduled to mature on August 11, 2027 with a balloon payment of $312,506. This loan will be recognized thirty-three percent General Fund, thirty-three percent Sewer Fund, and thirty-four percent water fund. As of June 30, 2025, the Water and Sewer Funds outstanding balance is $223,845. The second loan totaled $300,000 and has an interest rate of 6.68%. The loan is financed over sixty months with the first eighteen being interest only. The note is scheduled to mature on September 12, 2028 with a balloon payment of $289,902. As of June 30, 2025, the outstanding Water and Sewer Fund portion is $199,773. The first principal and interest payment is scheduled for April 2025.

First Kentucky Bank - The City entered into a loan agreement with First Kentucky Bank for $75,000 on May 12, 2025. The funds were used for the remodel of the Badgett Playhouse. The loan calls for monthly payments with an interest rate of 8.00% and was financed over 5 years. The loan calls for monthly payments of $918. As of June 30, 2025 the principal balance is $74,899.

Proprietary Revenue Bonds

Water and Sewer Revenue Bonds - The City of Grand Rivers, Kentucky, adopted a resolution to issue $3,662,000 of City of Grand Rivers, Water and Sewer Revenue Bonds, Series 2015A and $1,067,000 Water and Sewer Revenue Bonds, Series 2015B for the purpose of a new sewer plant and lift station. The bonds were finalized June 6, 2016 with an interest rate of 2.25%. The bond covenants require $1,760 per month be deposited into a "Funded Debt Reserve Account" until the account reaches $211,200. The deposits are to be resumed any time the account falls below the $211,200. The principal balances at June 30, 2025 are $4,076,000.

10. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide debt activities for the year ended June 30, 2025 follows:

	Balance June 30, 2024	Proceeds	Retirement/ Reductions	Balance June 30, 2025	Due in One Year
Governmental Activities					
Leases payable					
Kentucky Bond Corp - Park	$ 185,833	$ -	$ 10,000	$ 175,833	$ 10,000
Kentucky Bond Corp - Paving	-	805,000	-	805,000	20,000
De Lage Landen Public Finance	25,638	-	16,785	8,853	8,853
Notes payable					
First Kentucky Bank - General	24,740	-	7,304	17,436	17,436
First Kentucky Bank - General	59,160	-	20,244	38,916	20,961
First Kentucky Bank - Maint Bldg	212,674	-	4,027	208,647	4,694
Total Governmental Activities	508,045	805,000	58,360	1,254,685	81,944
Business Type Activities					
Notes payable					
Kentucky Infrastructure Authority	149,508	-	13,088	136,420	13,187
First Kentucky Bank - Proprietary	27,135	-	27,135	-	-
First Kentucky Bank - Maint Bldg	431,792	-	8,174	423,618	9,531
First Kentucky Bank - Badgett	-	75,000	101	74,899	5,216
Bonds Payable					
Series 2015B	948,000	-	19,000	929,000	19,500
Series 2015A	3,217,000	-	70,000	3,147,000	72,000
Total Business-Type Activities	4,773,435	75,000	137,498	4,710,937	119,434
Total Primary Government	$ 5,281,480	$ 880,000	$ 195,858	$ 5,965,622	$ 201,378

The annual debt service requirements to maturity for long-term debt as of June 30, 2025, are as follows:

Year Ending June 30:	Principal	Interest	Total
2026	$ 201,378	$ 140,764	$ 342,142
2027	190,363	166,072	356,435
2028	475,006	148,426	623,432
2029	453,178	128,403	581,581
2030	210,876	117,038	327,914
2031-2035	871,486	501,762	1,373,248
2036-2040	868,335	383,348	1,251,683
2041-2045	978,500	259,210	1,237,710
2046-2050	806,000	139,646	945,646
2051-2055	910,500	41,737	952,237
Total	$ 5,965,622	$ 2,026,406	$ 7,992,028

Total interest expense for the year ended June 30, 2025:

Governmental activities	$ 46,247
Business-type activities	123,587
	$ 169,834

11. LITIGATION AND CONTINGENCIES

Litigation

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

Contingencies

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2025, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

12. COMMITMENTS

The City entered into a contract with Waste Path Services, LLC beginning July 1, 2018, and ending June 30, 2022. This agreement was renewed for an additional four years in August 2022. The Contractor is to provide the collection and disposal of residential and commercial garbage. The City is responsible for billing and collecting fees. Amounts collected for services, less a 7% franchise fee, will be forwarded to the Contractor. Collections are remitted monthly.

13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

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

Primary government operating transfers at June 30, 2025 were:

	Transfers Out	Transfers In	Transfers Net
General Fund	$ -	$ 8,837	$ (8,837)
Special Revenue Funds			
Municipal Road Aid Fund	7,550	-	7,550
Grand Rivers Tourism Fund	-	4,471	(4,471)
ABC Fund	-	628	(628)
Business-type funds			
Water Fund	24,122	-	24,122
Sewer Fund	-	16,201	(16,201)
Badgett Playhouse Fund	-	750	(750)
Internet Fund	-	785	(785)
Total	$ 31,672	$ 31,672	$ -

14. PRIOR PERIOD ADJUSTMENT

Error Correction

The City recognized a prior period adjustment in the proprietary fund statements to recognize the balance of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) received. These funds were allocated to cover losses during the coronavirus pandemic. The funds were previously reported as deferred revenue.

	Funds		Government-Wide
Error Correction	Water Fund	Sewer Fund	Business-Type Activities
6/30/2024, as previously stated	$ 1,480,483	$ 4,383,619	$ 5,866,410
SLFRF Funds	47,519	49,038	96,557
Total Error Correction	47,519	49,038	96,557
6/30/2024, restated	$ 1,528,002	$ 4,432,657	$ 5,962,967

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RIVERS, KENTUCKY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budgeted	Final Budgeted	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes				
Property	$ 326,000	$ 326,000	$ 369,758	$ 43,758
Franchise and other	38,100	51,200	32,206	(18,994)
Occupational	85,000	85,000	111,820	26,820
Charges for services	100,000	100,000	146,951	46,951
Miscellaneous	10,100	10,100	21,180	11,080
Intergovernmental	22,000	22,000	-	(22,000)
Rental income	99,600	99,600	84,590	(15,010)
Cemetery income	5,000	5,000	2,124	(2,876)
Interest income	100	100	2,597	2,497
Total revenues	685,900	699,000	771,226	72,226
Expenditures				
General government	417,100	430,200	391,711	38,489
Public works	129,700	129,700	887,587	(757,887)
Culture and recreation	71,500	71,500	68,990	2,510
Cemetery maintenance	10,500	10,500	13,802	(3,302)
Debt service	57,100	57,100	82,088	(24,988)
Capital outlay	-	-	26,555	(26,555)
Total expenditures	685,900	699,000	1,470,733	(771,733)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(699,507)	(699,507)
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	805,000	805,000
Issuance cost of long-term debt	-	-	(23,880)	(23,880)
Premium on long-term debt	-	-	18,038	18,038
Transfers in(out)	22,000	22,000	8,837	(13,163)
Total other financing sources (uses)	22,000	22,000	807,995	785,995
Net Change in Fund Balances	$ 22,000	$ 22,000	108,488	$ 86,488
Fund Balances at Beginning of Year			8,561	
Fund Balances at End of Year			$ 117,049	

CITY OF GRAND RIVERS, KENTUCKY
GRAND RIVERS TOURISM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budgeted	Final Budgeted	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	$ 466,696	$ 466,696	$ 330,426	$ (136,270)
Miscellaneous	-	-	129,943	129,943
Rental income	-	-	30,726	30,726
Interest income	-	-	9	9
Total revenues	466,696	466,696	491,104	24,408
Expenditures				
Culture and recreation	466,696	466,696	490,824	(24,128)
Total expenditures	466,696	466,696	490,824	(24,128)
Excess (Deficiency) of Revenues Over Expenditures	-	-	280	280
Other Financing Sources (Uses)				
Transfers in (out)	-	-	4,471	4,471
Net Change in Fund Balances	$ -	$ -	4,751	$ 4,751
Fund Balances at Beginning of Year			95,393	
Fund Balances at End of Year			$ 100,144	

CITY OF GRAND RIVERS, KENTUCKY
ABC SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budgeted	Final Budgeted	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes				
Regulatory fees	$ 107,000	$ 107,000	$ 133,280	$ 26,280
Total revenues	107,000	107,000	133,280	26,280
Expenditures				
Public safety	107,000	107,000	116,381	(9,381)
Total expenditures	107,000	107,000	116,381	(9,381)
Excess (Deficiency) of Revenues Over Expenditures	-	-	16,899	16,899
Other Financing Sources (Uses)				
Transfers in(out)	-	-	628	628
Total other financing sources (uses)	-	-	628	628
Net Change in Fund Balances	$ -	$ -	17,527	$ 17,527
Fund Balances at Beginning of Year			23,443	
Fund Balances at End of Year			$ 40,970	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF GRAND RIVERS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds		
	Municipal Aid	LGEA Fund	Total Non-Major Governmental Funds
Assets			
Intergovernmental receivable	$ 553	$ -	$ 553
Total Assets	$ 553	$ -	$ 553
Liabilities and Fund Balances			
Liabilities			
Total Liabilities	-	-	-
Fund Balances			
Restricted for			
Public works	553	-	553
Total Fund Balances	553	-	553
Total Liabilities and Fund Balances	$ 553	$ -	$ 553

CITY OF GRANDS RIVERS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Funds		
	Municipal Aid	LGEA Fund	Total Other Governmental Funds
Revenues			
Intergovernmental revenue	$ 8,103	$ 16,130	$ 24,233
Total Revenues	8,103	16,130	24,233
Expenditures			
Public works	-	4,839	4,839
Culture and recreation	-	11,291	11,291
Total Expenditures	-	16,130	16,130
Excess (Deficiency) of Revenues Over Expenditures	8,103	-	8,103
Other Financing Sources (Uses)			
Transfers in (out)	(7,550)	-	(7,550)
Net Change in Fund Balances	553	-	553
Fund Balances - Beginning of Year	-	-	-
Fund Balances - End of Year	$ 553	$ -	$ 553

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

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

Honorable Mayor Tom Moodie
and Members of the City Council
City of Grand Rivers, Kentucky
Grand Rivers, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Grand Rivers, Kentucky as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Grand Rivers, Kentucky's basic financial statements, and have issued our report thereon dated August 28, 2026.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiencies in internal control over financial reporting (Items 2025-1, 2025-2, 2025-3, 2025-4, 2025-5, 2025-6, 2025-7).

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Compliance and other Matters

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

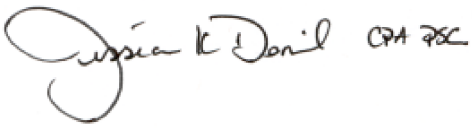
We also noted certain matters that we reported to management of the City of Grand Rivers, Kentucky, in a separate letter dated August 28, 2026.

Response to Findings

City of Grand Rivers, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Grand Rivers, Kentucky's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Eddyville, Kentucky
August 28, 2026

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

2025-1: Segregation of Duties

Criteria: The City is expected to establish and maintain effective segregation of duties to prevent and detect errors, fraud, and misappropriation of assets.

Condition: Upon examination, it was identified that certain key financial tasks, such as authorization, custody, and recording of transactions, are not adequately segregated among different individuals within the organization. Specifically, individuals are performing incompatible duties without appropriate oversight or review.

Cause: The lack of segregation of duties may stem from staffing limitations, inadequate supervision, or ineffective internal controls. It could also result from a lack of understanding of the importance of segregation of duties in mitigating risks and safeguarding assets.

Effect: The absence of segregation of duties increases the risk of errors, unauthorized activities, and fraudulent behavior. It compromises the reliability and integrity of financial reporting, undermines internal controls, and exposes the City to potential financial losses and reputation damage.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, revise its internal control structure to establish clear segregation of duties among employees involved in financial processes. This should involve restructuring roles and responsibilities, implementing oversight mechanisms, and enhancing staff training on the importance of segregation of duties.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements.

Pending Corrective Action: Management is advised to prioritize the implementation of effective segregation of duties to strengthen internal controls and mitigate the risk of errors, fraud, and misappropriation within the organization.

2025-2: Unrecorded and Unreconciled Bank Activity

Criteria: The City is expected to accurately record all financial transactions and reconcile bank statements in a timely manner to ensure the integrity of financial reporting and internal controls.

Condition: During the audit period, it was identified that certain bank activities, including deposits, withdrawals, and transfers, had not been recorded in the City's financial records. Additionally, bank statements for the City's BNY Mellon accounts had not been reconciled with the City's accounting records. During the current year, a new BNY Mellon account was established to serve as the sinking fund for the City's new General Fund KBC loan. This account and its related activity were not recorded in the City's accounting records. The BNY Mellon accounts are used to make debt service payments on the City's outstanding obligations. When the activity in these accounts is not recorded, the related principal and interest payments are also not properly reflected in the City's accounting records.

Effect: Failure to record and reconcile all bank activity increases the risk of errors and material misstatements in the City's financial records. Because the BNY Mellon accounts are used for debt service, unrecorded activity also results in principal and interest payments not being properly recorded, which may cause debt balances, expenditures, and cash balances to be misstated.

Recommendation: We recommend that the City implement procedures to ensure that all existing and newly established bank and investment accounts are promptly recorded in the accounting system and reconciled to the related statements on a regular basis. Particular attention should be given to accounts used for debt service to ensure that principal and interest payments are properly recorded and outstanding debt balances are accurately reported.

Response: The City of Grand Rivers, Kentucky's Council and management will ensure that bank activity for all accounts is entered and reconciled timely.

Pending Corrective Action: Management should implement procedures to ensure all bank and investment accounts, including accounts established for debt service, are included in the City's accounting records and reconciled timely. These procedures should ensure that all related debt service activity is properly recorded

2025-3: Improper Financial Reporting of the Grand Rivers Tourism Commission

Criteria: According to KRS 91A.390(2), "the net transient room tax shall be used to finance the establishment, maintenance, and operation of tourist and convention commissions." The statute further states that a Tourist and Convention Commission shall be established as a separate corporate body politic, with authority to enter into contracts, maintain a separate bank account, and adopt a budget.

Condition: The City currently reports the financial activities of the Grand Rivers Tourism Commission as a special revenue fund within the City's governmental fund financial statements. However, the Grand Rivers Tourism Commission is required to operate as a legally separate entity and to file its own independent financial reports.

Additionally, KRS 65A.010(2)(c) classifies Tourist and Convention Commissions as special purpose governmental entities (SPGEs). As such, they are required under KRS 65A.020 to file annual financial reports and audits independently of the City.

The Governmental Accounting Standards Board (GASB) also emphasizes the importance of accurately reflecting separate legal entities in financial reporting unless financial accountability or control conditions exist.

Cause: City management has continued the longstanding practice of treating the Grand Rivers Tourism Commission as a fund of the City, without fully considering the statutory changes or compliance requirements of KRS 65A or the legal structure outlined in KRS 91A. No recent assessment has been made regarding the Commission's legal independence or its reporting obligations to the Department for Local Government.

Effect: By failing to separately report the financial activities of the Grand Rivers Tourism Commission, the City is not in compliance with KRS 65A and KRS 91A. This practice may result in noncompliance with statutory financial reporting requirements, misrepresentation of City financial statements, and sanctions by the Department for Local Government. Additionally, the Grand Rivers Tourism Commission may fail to meet transparency and accountability expectations required of SPGEs.

Recommendation: We recommend the City cease reporting the Grand Rivers Tourism Commission as a fund of the City and take immediate action to establish it as a legally separate entity in both form and function. The City should coordinate with the Grand Rivers Tourism Commission to ensure it files separate financial statements or audit reports as required by KRS 65A.020. We also recommend the City consult with legal counsel and the DLG for guidance in reestablishing compliance.

Response: The City is aware of the requirement and is taking steps to legally separate the Grand Rivers Tourism Commission from the City.

Pending Corrective Action: The Grand Rivers Tourism Commission agrees to obtain a separate Employer Identification Number (EIN) and to register with the Department for Local Government (DLG). The Grand Rivers Tourism Commission is a Special Purpose Government Entity (SPGE) and will be recognized as a component unit of the City of Grand Rivers.

2025-4: Misclassification of LGEA and MRA Activity in the General Fund

Criteria: In accordance with Generally Accepted Accounting Principles (GAAP) and GASB Statement No. 54, governments are required to report resources that are legally restricted or committed to specific purposes in special revenue funds. Revenues and expenditures associated with the LGEA and MRA programs must be accounted for separately from the General Fund to ensure compliance with state program guidelines and to provide accurate financial reporting.

Condition: During the audit of the financial statements adjustments were required to reclassify Local Government Economic Assistance (LGEA) and Municipal Road Aid (MRA) revenue and expenditures that were improperly recorded in the General Fund.

Cause: The misclassification was the result of improper account coding during the year and insufficient oversight during the year-end financial statement preparation process. Additionally, the accounting system defaulted restricted revenues and expenditures to the General Fund due to incorrect or missing fund assignments.

Effect: The misclassification of LGEA and MRA activity resulted in an overstatement of both revenues and expenditures in the General Fund and an understatement in the respective special revenue funds. This led to a misrepresentation of the financial position and activity of these restricted funds and, if left uncorrected, could have resulted in noncompliance with fund-specific reporting requirements and program guidelines.

Recommendation: We recommend that management implement procedures to ensure that all restricted revenues and expenditures are properly recorded in their respective funds at the time of transaction entry. This should include a review of the chart of accounts and transaction coding to ensure alignment with fund classifications. Staff should receive training on fund accounting principles, particularly as they relate to the reporting of special revenue funds. Year-end financial statement preparation should also include fund-level reconciliation procedures to detect and correct any fund misclassifications.

Response: The City is aware of the requirements related to LGEA and MRA funds and follow guidance set forth in Kentucky KRS 42.450 (LGEA) and KRS 177.320 through 177.366 (MRA).

Pending Corrective Action: The City acknowledges the finding regarding the misclassification of Local Government Economic Assistance (LGEA) and Municipal Road Aid (MRA) activity in the General Fund and will revise its chart of accounts to include unique identifiers for the LGEA and MRA funds, ensuring that all revenues and expenditures related to these restricted funds are accurately coded to their respective special revenue funds.

2025-5: Improper Reporting of Interfund Activity

Criteria: Per GASB Codification Section 1800.102 and GASB Statement No. 34, interfund transactions must be classified based on their substance. Interfund transfers are nonreciprocal, nonexchange flows of resources with no expectation of repayment and must be reported as Other Financing Sources/Uses in the financial statements. Due To/From Other Funds are used to represent interfund loans or temporary cash flow support, where a formal repayment plan exists. Misclassification of these transactions can misstate fund financial activity and fund balance.

Condition: During the audit of the City's financial statements we identified interfund activity that was improperly reported using asset accounts, even though the activity represented nonreciprocal, permanent reallocations of resources between funds. There was no evidence of a repayment plan, and the movements were not temporary in nature.

The City operates from a single general checking account, with the exception of the Grand Rivers Tourism Fund, the ABC Fund, and the Badgett Playhouse Fund who maintain separate accounts, and cash activity was allocated across funds using interfund receivables and payables. However, in substance, many of these allocations represented interfund transfers rather than short-term loans.

An audit adjustment was proposed and accepted by management to reclassify these balances to properly reflect interfund transfers (Other Financing Sources/Uses) in accordance with GAAP.

Cause: The City uses a centralized general fund checking account to process cash transactions across most funds but lacks formal policies to distinguish between temporary interfund loans and permanent reallocations of resources. In the absence of documentation or repayment plans, staff defaulted to using asset accounts for all interfund activity, regardless of substance or timing.

Effect: As a result of this practice interfund transactions were misclassified, and transfers were understated in the financial statements. Fund balances were misstated, with some funds appearing to have receivables or payables that will not be settled. The financial statements do not reflect the true operating activity and fund-level results, potentially misleading users and affecting compliance with fund restrictions and budgeting controls. If not corrected, this issue could impair transparency, auditability, and financial decision-making.

Recommendation: We recommend that the City establish clear policies and documentation requirements to distinguish between interfund loans (with repayment plans) and transfers. The City should record all permanent reallocations of financial resources as interfund transfers in the appropriate funds at the time of transaction. A procedure should be implemented to review interfund activity as part of the year-end close process.

Response: The City agrees with the finding and will implement steps to ensure that transfers are recognized appropriately.

Pending Corrective Action: An audit adjustment was posted to property reclassify interfund activity. The City will implement a policy to distinguish between short-term interfund loans and permanent transfers. Monthly reconciliations of the general checking account to the fund-level balances will be performed and reviewed by the Finance Director to ensure accuracy in fund reporting. Finance staff will receive training on GASB fund classification and the proper accounting treatment of interfund transactions, especially in a pooled cash environment.

2025-6: Duplicate Check Numbers

Criteria: Check numbers should be uniquely assigned and accurately recorded in accordance with the entity's cash disbursement and accounting procedures. Effective internal controls should provide reasonable assurance that transactions are accurately recorded and duplicate payments are prevented or detected.

Condition: During the audit of the City's financial statements approximately 147 duplicate check numbers were identified in the records reviewed. This indicates that the same check number was recorded more than once and requires management review to determine the reason for the duplication.

Cause: The cause of the duplicate check numbers appears to be related to the reordering of check stock without adequate verification that the new check numbers did not overlap with check numbers currently or previously in use. Possible contributing factors include inadequate coordination between check stock ordering and the entity's accounting/check-numbering records, and insufficient review procedures to detect number overlaps before the new checks were placed into use.

Effect: Although the checks reviewed by the auditor appear to represent legitimate, distinct transactions rather than duplicate payments, the use of overlapping check numbers reduces the reliability and usefulness of the check register and related accounting records as a control tool. Overlapping numbers make it more difficult to identify actual duplicate or erroneous payments, complicate reconciliations and audit trails, and increase the risk that a true duplicate or unauthorized payment could go undetected in the future.

Recommendation: We recommend that management review all 147 duplicate check numbers to confirm that each represents a legitimate, distinct transaction and not a duplicate or erroneous payment. We further recommend that management establish procedures to verify that new check stock does not overlap with previously used or currently assigned check numbers before the stock is placed into use, such as confirming the starting number of new check orders against the check register prior to use.

Response: The City agrees with the finding and will implement steps to ensure that transfers are recognized appropriately.

Pending Corrective Action: Management should implement procedures to verify new check numbering sequences against existing records prior to placing new check stock into use, in order to prevent recurrence of overlapping check numbers. The corrective action plan should identify the responsible individual, actions to be taken, and anticipated completion date. Management should also monitor the process to ensure any future duplicate or overlapping check numbers are identified and resolved timely.

2025-7: Backdated Checks

Criteria: Financial transactions should be recorded in the appropriate accounting period and in accordance with the entity's accounting policies and procedures. Records should be maintained accurately and timely to ensure financial information is complete and reliable.

Condition: The audit identified seven checks totaling $25,200 that were entered into the accounting records after the June 30, 2025 fiscal year-end. The checks were dated between February 2023 and August 2023. The checks were entered but not printed as of the audit, however, they backdated check did effect the ending cash balance as of June 30, 2025.

Cause: The cause of the delayed recording was not established during the audit. Management should determine why the checks remained unrecorded for an extended period and whether adequate procedures were in place to ensure checks and related transactions were entered timely.

Effect: Delays in recording transactions increase the risk that expenditures and liabilities will be recorded in the wrong accounting period. This can result in inaccurate financial records and may affect the completeness and reliability of financial reporting.

Recommendation: We recommend that management review the seven checks to determine why they were not entered timely and make any necessary accounting corrections. Management should also strengthen procedures to ensure checks and other financial transactions are recorded in the appropriate accounting period and that outstanding or unrecorded checks are identified through periodic reconciliation.

Response: The City agrees with the finding and will implement steps to ensure that transfers are recognized appropriately.

Pending Corrective Action: Management should identify the cause of the delayed entries and implement procedures to prevent similar occurrences. The corrective action should include assigning responsibility for timely recording and reconciliation of checks and establishing periodic reviews to identify unrecorded transactions before fiscal year-end.

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

2024-1: Segregation of Duties

Criteria: The City is expected to establish and maintain effective segregation of duties to prevent and detect errors, fraud, and misappropriation of assets.

Condition: Upon examination, it was identified that certain key financial tasks, such as authorization, custody, and recording of transactions, are not adequately segregated among different individuals within the organization. Specifically, individuals are performing incompatible duties without appropriate oversight or review.

Cause: The lack of segregation of duties may stem from staffing limitations, inadequate supervision, or ineffective internal controls. It could also result from a lack of understanding of the importance of segregation of duties in mitigating risks and safeguarding assets.

Effect: The absence of segregation of duties increases the risk of errors, unauthorized activities, and fraudulent behavior. It compromises the reliability and integrity of financial reporting, undermines internal controls, and exposes the City to potential financial losses and reputation damage.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, revise its internal control structure to establish clear segregation of duties among employees involved in financial processes. This should involve restructuring roles and responsibilities, implementing oversight mechanisms, and enhancing staff training on the importance of segregation of duties.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements.

Pending Corrective Action: Management is advised to prioritize the implementation of effective segregation of duties to strengthen internal controls and mitigate the risk of errors, fraud, and misappropriation within the organization.

2024-2: Unrecorded and Unreconciled Bank Activity

Criteria: The City is expected to accurately record all financial transactions and reconcile bank statements in a timely manner to ensure the integrity of financial reporting and internal controls.

Condition: During the audit period, it was identified that certain bank activities, including deposits, withdrawals, and transfers, have not been recorded in the City’s financial records. Additionally, bank statements for the BNY Mellon account have not been reconciled with the City’s accounting records.

Cause: The lack of recording and reconciliation may stem from inadequate processes or oversight in the City’s accounting and financial management practices. It could also result from personnel turnover, insufficient training, or system limitations.

Effect: Failure to record and reconcile bank activity increases the risk of errors, misstatements, and discrepancies in financial reporting. It undermines the accuracy and reliability of financial information, potentially leading to incorrect decision-making and regulatory compliance issues.

Recommendation: It is recommended that the City promptly implements robust procedures for recording all bank transactions in its accounting system and conducts regular reconciliation of bank statements with internal records. This should involve assigning responsibilities, enhancing training programs, and leveraging automation tools where feasible.

Response: The City of Grand Rivers, Kentucky's Council and management will ensure that bank activity for all accounts is entered and reconciled timely.

Pending Corrective Action: Management is urged to prioritize the implementation of comprehensive recording and reconciliation procedures to ensure the accuracy and reliability of financial reporting and internal controls.

2024-3: Improper Financial Reporting of the Grand Rivers Tourism Commission

Criteria: According to KRS 91A.390(2), "the net transient room tax shall be used to finance the establishment, maintenance, and operation of tourist and convention commissions." The statute further states that a Tourist and Convention Commission shall be established as a separate corporate body politic, with authority to enter into contracts, maintain a separate bank account, and adopt a budget.

Condition: The City currently reports the financial activities of the Grand Rivers Tourism Commission as a special revenue fund within the City's governmental fund financial statements. However, the Grand Rivers Tourism Commission is required to operate as a legally separate entity and to file its own independent financial reports.

Additionally, KRS 65A.010(2)(c) classifies Tourist and Convention Commissions as special purpose governmental entities (SPGEs). As such, they are required under KRS 65A.020 to file annual financial reports and audits independently of the City.

The Governmental Accounting Standards Board (GASB) also emphasizes the importance of accurately reflecting separate legal entities in financial reporting unless financial accountability or control conditions exist.

Cause: City management has continued the longstanding practice of treating the Grand Rivers Tourism Commission as a fund of the City, without fully considering the statutory changes or compliance requirements of KRS 65A or the legal structure outlined in KRS 91A. No recent assessment has been made regarding the Commission's legal independence or its reporting obligations to the DLG.

Effect: By failing to separately report the financial activities of the Grand Rivers Tourism Commission, the City is not in compliance with KRS 65A and KRS 91A. This practice may result in noncompliance with statutory financial reporting requirements, misrepresentation of City financial statements, and sanctions by the Department for Local Government. Additionally, the Grand Rivers Tourism Commission may fail to meet transparency and accountability expectations required of SPGEs.

Recommendation: We recommend the City cease reporting the Grand Rivers Tourism Commission as a fund of the City and take immediate action to establish it as a legally separate entity in both form and function. The City should coordinate with the Grand Rivers Tourism Commission to ensure it files separate financial statements or audit reports as required by KRS 65A.020. We also recommend the City consult with legal counsel and the Department for Local Government for guidance in reestablishing compliance.

Response: The City is aware of the requirement and is taking steps to legally separate the Grand Rivers Tourism Commission from the City.

Pending Corrective Action: The Grand Rivers Tourism Commission agrees to obtain a separate Employer Identification Number (EIN) and to register with the Department for Local Government. The Grand Rivers Tourism Commission is a Special Purpose Government Entity and will be recognized as a component unit of the City of Grand Rivers.

2024-4: Misclassification of LGEA and MRA Activity in the General Fund

Criteria: In accordance with Generally Accepted Accounting Principles (GAAP) and GASB Statement No. 54, governments are required to report resources that are legally restricted or committed to specific purposes in special revenue funds. Revenues and expenditures associated with the Local Government Economic Assistance (LGEA) and Municipal Road Aid (MRA) programs must be accounted for separately from the General Fund to ensure compliance with state program guidelines and to provide accurate financial reporting.

Condition: During the audit of the financial statements adjustments were required to reclassify LGEA and MRA revenue and expenditures that were improperly recorded in the General Fund.

Cause: The misclassification was the result of improper account coding during the year and insufficient oversight during the year-end financial statement preparation process. Additionally, the accounting system defaulted restricted revenues and expenditures to the General Fund due to incorrect or missing fund assignments.

Effect: The misclassification of LGEA and MRA activity resulted in an overstatement of both revenues and expenditures in the General Fund and an understatement in the respective special revenue funds. This led to a misrepresentation of the financial position and activity of these restricted funds and, if left uncorrected, could have resulted in noncompliance with fund-specific reporting requirements and program guidelines.

Recommendation: We recommend that management implement procedures to ensure that all restricted revenues and expenditures are properly recorded in their respective funds at the time of transaction entry. This should include a review of the chart of accounts and transaction coding to ensure alignment with fund classifications. Staff should receive training on fund accounting principles, particularly as they relate to the reporting of special revenue funds. Year-end financial statement preparation should also include fund-level reconciliation procedures to detect and correct any fund misclassifications.

Response: The City is aware of the requirements related to LGEA and MRA funds and follow guidance set forth in Kentucky KRS 42.450 (LGEA) and KRS 177.320 through 177.366 (MRA).

Pending Corrective Action: The City acknowledges the finding regarding the misclassification of Local Government Economic Assistance (LGEA) and Municipal Road Aid (MRA) activity in the General Fund and will revise its chart of accounts to include unique identifiers for the LGEA and MRA funds, ensuring that all revenues and expenditures related to these restricted funds are accurately coded to their respective special revenue funds.

2024-5: Improper Reporting of Interfund Activity

Criteria: Per GASB Codification Section 1800.102 and GASB Statement No. 34, interfund transactions must be classified based on their substance. Interfund transfers are nonreciprocal, nonexchange flows of resources with no expectation of repayment and must be reported as Other Financing Sources/Uses in the financial statements. Due To/From Other Funds are used to represent interfund loans or temporary cash flow support, where a formal repayment plan exists. Misclassification of these transactions can misstate fund financial activity and fund balance.

Condition: During the audit of the City's financial statements we identified interfund activity that was improperly reported using asset accounts, even though the activity represented nonreciprocal, permanent reallocations of resources between funds. There was no evidence of a repayment plan, and the movements were not temporary in nature.

The City operates from a single general checking account, with the exception of Grand Rivers Tourism Commission, the ABC Fund, and the Badgett Playhouse Fund who maintain separate accounts, and cash activity was allocated across funds using interfund receivables and payables. However, in substance, many of these allocations represented interfund transfers rather than short-term loans.

An audit adjustment was proposed and accepted by management to reclassify these balances to properly reflect interfund transfers (Other Financing Sources/Uses) in accordance with GAAP.

Cause: The City uses a centralized general fund checking account to process cash transactions across most funds but lacks formal policies to distinguish between temporary interfund loans and permanent reallocations of resources. In the absence of documentation or repayment plans, staff defaulted to using asset accounts for all interfund activity, regardless of substance or timing.

Effect: As a result of this practice interfund transactions were misclassified, and transfers were understated in the financial statements. Fund balances were misstated, with some funds appearing to have receivables or payables that will not be settled. The financial statements do not reflect the true operating activity and fund-level results, potentially misleading users and affecting compliance with fund restrictions and budgeting controls. If not corrected, this issue could impair transparency, auditability, and financial decision-making.

Recommendation: We recommend that the City establish clear policies and documentation requirements to distinguish between interfund loans (with repayment plans) and transfers. The City should record all permanent reallocations of financial resources as interfund transfers in the appropriate funds at the time of transaction. A procedure should be implemented to review interfund activity as part of the year-end close process.

Response: The City agrees with the finding and will implement steps to ensure that transfers are recognized appropriately.

Pending Corrective Action: An audit adjustment was posted to property reclassify interfund activity. The City will implement a policy to distinguish between short-term interfund loans and permanent transfers. Monthly reconciliations of the general checking account to the fund-level balances will be performed and reviewed by the Finance Director to ensure accuracy in fund reporting. Finance staff will receive training on GASB fund classification and the proper accounting treatment of interfund transactions, especially in a pooled cash environment.