

**CITY OF JACKSON, KENTUCKY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor  
and Members of City Council  
City of Jackson  
Jackson, Kentucky

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

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

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Ballaway Smith Goalsky, PSC

Ashland, Kentucky

February 15, 2022

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

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 553,683	\$ 146,891	\$ 700,574
Accounts receivable	31,844	289,983	321,827
Taxes receivable	8,660	-	8,660
Due from (to) other funds	762,904	(762,904)	-
Restricted assets -			
Cash and cash equivalents	605,015	544,343	1,149,358
Nondepreciable capital assets	575,000	2,455,783	3,030,783
Depreciable capital assets	9,368,247	30,053,716	39,421,963
Accumulated depreciation	(7,020,000)	(15,678,469)	(22,698,469)
	<u>4,885,353</u>	<u>17,049,343</u>	<u>21,934,696</u>
<b>Total assets</b>			
	<u>4,885,353</u>	<u>17,049,343</u>	<u>21,934,696</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred savings from debt refunding	37,800	-	37,800
Deferred outflows - pension related	414,507	218,879	633,386
Deferred outflows - OPEB related	340,767	179,940	520,707
<b>Total deferred outflow of resources</b>	<u>793,074</u>	<u>398,819</u>	<u>1,191,893</u>
<b>LIABILITIES</b>			
Accounts payable	38,437	174,955	213,392
Other accrued liabilities	146,716	21,272	167,988
Current portion of long-term debt	300,080	523,672	823,752
Accrued interest payable	-	11,171	11,171
Customer deposits	-	214,515	214,515
Long-term debt, net of current portion	1,267,002	4,889,353	6,156,355
Accrued compensated absences, noncurrent	130,272	66,767	197,039
Net pension liability, due in more than one year	2,372,284	1,252,672	3,624,956
Net OPEB liability, due in more than one year	746,638	394,258	1,140,896
	<u>5,001,429</u>	<u>7,548,635</u>	<u>12,550,064</u>
<b>Total liabilities</b>			
	<u>5,001,429</u>	<u>7,548,635</u>	<u>12,550,064</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows - pension related	80,366	42,437	122,803
Deferred inflows - OPEB related	169,622	89,568	259,190
	<u>249,988</u>	<u>132,005</u>	<u>381,993</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,393,965	11,418,005	12,811,970
Restricted	605,015	544,343	1,149,358
Unrestricted	(1,571,970)	(2,194,826)	(3,766,796)
	<u>\$ 427,010</u>	<u>\$ 9,767,522</u>	<u>\$ 10,194,532</u>
<b>Total net position</b>			
	<u>\$ 427,010</u>	<u>\$ 9,767,522</u>	<u>\$ 10,194,532</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 1,156,186	\$ -	\$ 149,738	\$ -	\$ (1,006,448)	\$ -	\$ (1,006,448)
Police	856,777	7,055	62,858	-	(786,864)	-	(786,864)
Fire	357,086	-	-	-	(357,086)	-	(357,086)
Streets	187,508	-	168,412	-	(19,096)	-	(19,096)
Sanitation	347,082	378,879	-	-	31,797	-	31,797
Tourism	-	-	-	-	-	-	-
Parks	494,026	58,841	-	-	(435,185)	-	(435,185)
Social service	4,085	-	-	-	(4,085)	-	(4,085)
Infrastructure depreciation	18,601	-	-	-	(18,601)	-	(18,601)
Debt service	139,685	-	-	-	(139,685)	-	(139,685)
Total governmental activities	<u>3,561,036</u>	<u>444,775</u>	<u>381,008</u>	<u>-</u>	<u>(2,735,253)</u>	<u>-</u>	<u>(2,735,253)</u>
<b>Business-Type Activities</b>							
Water	2,224,741	1,504,815	-	797,769	-	77,843	77,843
Sewer	529,334	725,575	-	600	-	196,841	196,841
Total business-type activities	<u>2,754,075</u>	<u>2,230,390</u>	<u>-</u>	<u>798,369</u>	<u>-</u>	<u>274,684</u>	<u>274,684</u>
Total primary government	<u>\$ 6,315,111</u>	<u>\$ 2,675,165</u>	<u>\$ 381,008</u>	<u>\$ 798,369</u>	<u>\$ (2,735,253)</u>	<u>\$ 274,684</u>	<u>\$ (2,460,569)</u>
<b>General Revenues:</b>							
Property and other local taxes					\$ 512,557	\$ -	\$ 512,557
Occupational license fees					1,407,694	-	1,407,694
Insurance premiums					434,870	-	434,870
Tourism tax					353,247	-	353,247
Coal/mineral severance & LGEA					1,916	-	1,916
Interest income					571	494	1,065
Other income					447,416	-	447,416
Total general revenues					<u>3,158,271</u>	<u>494</u>	<u>3,158,765</u>
Change in net position					<u>423,018</u>	<u>275,178</u>	<u>698,196</u>
Net position, June 30, 2020					<u>3,992</u>	<u>9,492,344</u>	<u>9,496,336</u>
Net position, June 30, 2021					<u>\$ 427,010</u>	<u>\$ 9,767,522</u>	<u>\$ 10,194,532</u>

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

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 553,683	\$ -	\$ -	\$ 553,683
Accounts receivable	31,844	-	-	31,844
Taxes receivable	8,660	-	-	8,660
Restricted-cash and cash equivalents	-	443,131	161,884	605,015
Due from other funds	762,904	-	-	762,904
Total assets	<u>\$ 1,357,091</u>	<u>\$ 443,131</u>	<u>\$ 161,884</u>	<u>\$ 1,962,106</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 38,437	\$ -	\$ -	\$ 38,437
Accrued expenses	146,716	-	-	146,716
Total liabilities	<u>185,153</u>	<u>-</u>	<u>-</u>	<u>185,153</u>
Fund Balances:				
Restricted	-	443,131	161,884	605,015
Unassigned	1,171,938	-	-	1,171,938
Total fund balances	<u>1,171,938</u>	<u>443,131</u>	<u>161,884</u>	<u>1,776,953</u>
Total liabilities and fund balances	<u>\$ 1,357,091</u>	<u>\$ 443,131</u>	<u>\$ 161,884</u>	<u>\$ 1,962,106</u>

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



**CITY OF JACKSON, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2021**

Total fund balance - total governmental funds		\$	1,776,953
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets of \$9,943,247 net of accumulated depreciation of \$7,020,000 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			2,923,247
Savings from debt refunding are not available to pay current period expenditures and therefore are not reported in the governmental funds			37,800
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds			505,286
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Debt	(1,567,082)		
Accrued compensated absences	(130,272)		
Net pension liability	(2,372,284)		
Net OPEB liability	(746,638)	(4,816,276)	
Net position - governmental activities		\$	<u>427,010</u>

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

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 315,792	\$ -	\$ -	\$ 315,792
Delinquent property taxes	28,283	-	-	28,283
Franchise taxes	59,360	-	-	59,360
Occupational license fees	1,407,694	-	-	1,407,694
Arrest fees, fines and forfeitures	-	-	7,055	7,055
Garbage collections	378,879	-	-	378,879
Tourism tax	323,146	30,101	-	353,247
Insurance premiums	434,870	-	-	434,870
Parks and recreation	-	-	58,841	58,841
Grant income	149,738	95,893	62,858	308,489
Coal/mineral severance & LGEA	1,916	-	-	1,916
Municipal road aid	52,112	20,407	-	72,519
Alcohol revenues	-	-	109,122	109,122
Interest income	540	31	-	571
Other income	394,091	35,697	17,628	447,416
Total revenues	<u>3,546,421</u>	<u>182,129</u>	<u>255,504</u>	<u>3,984,054</u>
<b>Expenditures</b>				
General government	998,133	-	-	998,133
Police	674,176	-	147,551	821,727
Fire	213,000	68,970	-	281,970
Streets	136,511	41,649	-	178,160
Sanitation	320,217	-	-	320,217
Tourism	-	-	-	-
Parks	336,310	-	46,980	383,290
Social service	3,000	1,085	-	4,085
Capital outlay	273,890	-	-	273,890
Debt service	353,450	70,000	-	423,450
Total expenditures	<u>3,308,687</u>	<u>181,704</u>	<u>194,531</u>	<u>3,684,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>237,734</u>	<u>425</u>	<u>60,973</u>	<u>299,132</u>
<b>Other financing sources (uses):</b>				
Transfer to other funds	-	-	-	-
Transfer from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	237,734	425	60,973	299,132
Fund balance, beginning of year	<u>934,204</u>	<u>442,706</u>	<u>100,911</u>	<u>1,477,821</u>
Fund balance, end of year	<u>\$ 1,171,938</u>	<u>\$ 443,131</u>	<u>\$ 161,884</u>	<u>\$ 1,776,953</u>

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

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

Net change in fund balances - total governmental funds	\$	299,132
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(29,814)
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:		
Capitalized savings from debt refunding amortization expense		(8,400)
Accrued compensated absences		12,142
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
CERS contributions	(2,601)	
Pension and OPEB expense	<u>(139,606)</u>	(142,207)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position.		<u>292,165</u>
Change in net position of governmental activities	<u>\$</u>	<u>423,018</u>

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

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 100,462	\$ 46,429	\$ 146,891
Accounts receivable - utilities	197,065	92,918	289,983
Total current assets	297,527	139,347	436,874
Restricted Assets:			
Cash and cash equivalents	385,712	158,631	544,343
Total restricted assets	385,712	158,631	544,343
Capital Assets:			
Property, plant and equipment	22,288,922	10,220,577	32,509,499
Less: Accumulated depreciation	(10,289,236)	(5,389,233)	(15,678,469)
Total capital assets - net	11,999,686	4,831,344	16,831,030
Total assets	12,682,925	5,129,322	17,812,247
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension related	179,125	39,754	218,879
Deferred outflows - OPEB related	147,258	32,682	179,940
Total deferred outflows of resources	326,383	72,436	398,819
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	160,859	14,096	174,955
Due to other funds	720,200	42,704	762,904
Accrued liabilities	17,976	3,296	21,272
Accrued interest payable	7,754	3,417	11,171
Current portion of debt	406,179	117,493	523,672
Total current liabilities (payable from current assets)	1,312,968	181,006	1,493,974
Current liabilities (payable from restricted assets):			
Customer deposits	214,515	-	214,515
Total current liabilities (payable from restricted assets)	214,515	-	214,515
Long-term debt, net of current portion	3,246,090	1,643,263	4,889,353
Accrued compensated absences	57,823	8,944	66,767
Net pension liability	1,025,153	227,519	1,252,672
Net OPEB liability	322,650	71,608	394,258
Total liabilities	6,179,199	2,132,340	8,311,539
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred outflows - pension related	34,729	7,708	42,437
Deferred outflows - OPEB related	73,300	16,268	89,568
Total deferred inflows of resources	108,029	23,976	132,005
<b>NET POSITION</b>			
Net investment in capital assets	8,347,417	3,070,588	11,418,005
Restricted	385,712	158,631	544,343
Unrestricted	(2,011,049)	(183,777)	(2,194,826)
Total net position	\$ 6,722,080	\$ 3,045,442	\$ 9,767,522

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

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Water sales	\$ 1,474,304	\$ -	\$ 1,474,304
Sewer service	-	724,435	724,435
Miscellaneous	30,511	1,140	31,651
Total operating revenues	<u>1,504,815</u>	<u>725,575</u>	<u>2,230,390</u>
<b>OPERATING EXPENSES</b>			
Personnel	523,651	101,694	625,345
Net pension and OPEB adjustment	270,473	(96,164)	174,309
Depreciation	545,999	233,268	779,267
Utilities	193,060	48,448	241,508
Supplies	375,215	100,545	475,760
Insurance	94,601	57,434	152,035
Contract labor	57,111	33,439	90,550
Miscellaneous	53,079	7,879	60,958
Total operating expenses	<u>2,113,189</u>	<u>486,543</u>	<u>2,599,732</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(608,374)</u>	<u>239,032</u>	<u>(369,342)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	331	163	494
Transfer in (out)	-	-	-
Grant income	790,234	-	790,234
Interest expense	(111,552)	(42,791)	(154,343)
Total non-operating revenues (expenses)	<u>679,013</u>	<u>(42,628)</u>	<u>636,385</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>70,639</u>	<u>196,404</u>	<u>267,043</u>
<b>CAPITAL CONTRIBUTIONS (TAPS)</b>	<u>7,535</u>	<u>600</u>	<u>8,135</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>78,174</u>	<u>197,004</u>	<u>275,178</u>
<b>NET POSITION, JUNE 30, 2020</b>	<u>6,643,906</u>	<u>2,848,438</u>	<u>9,492,344</u>
<b>NET POSITION, JUNE 30, 2021</b>	<u>\$ 6,722,080</u>	<u>\$ 3,045,442</u>	<u>\$ 9,767,522</u>

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

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

	Business-Type Activities		
	Water	Sewer	Total
	Fund	Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,464,320	\$ 719,046	\$ 2,183,366
Cash payments to suppliers for goods and services	(672,215)	(152,137)	(824,352)
Cash payments to employees	(506,255)	(195,806)	(702,061)
Other operating revenues	30,511	1,140	31,651
Net cash provided by operating activities	316,361	372,243	688,604
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Change in due to other funds	63,739	-	63,739
Transfers in	-	-	-
Change in customer deposits	(2,341)	-	(2,341)
Net cash provided by (used for) non-capital financing activities	61,398	-	61,398
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(297,810)	(193,915)	(491,725)
Interest paid on long-term debt	(111,661)	(43,064)	(154,725)
Issuance of debt	204,741	-	204,741
Purchase of property, plant & equipment	(790,234)	-	(790,234)
Capital grants	790,234	-	790,234
Capital contributions	7,535	600	8,135
Net cash provided by (used for) capital and related financing activities	(197,195)	(236,379)	(433,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	331	163	494
Net cash provided by investing activities	331	163	494
Net increase (decrease) in cash and cash equivalents	180,895	136,027	316,922
Cash and cash equivalents, June 30, 2020	305,279	69,033	374,312
Cash and cash equivalents, June 30, 2021	\$ 486,174	\$ 205,060	\$ 691,234
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (608,374)	\$ 239,032	\$ (369,342)
Adjustments:			
Depreciation	545,999	233,268	779,267
Net pension adjustment	281,161	(96,165)	184,996
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(9,984)	(5,389)	(15,373)
Increase (decrease) in accounts payable	100,851	(556)	100,295
Increase (decrease) in other accrued liabilities	6,708	2,053	8,761
Net cash provided by operating activities	\$ 316,361	\$ 372,243	\$ 688,604
<b>Reconciliation of cash</b>			
Cash and cash equivalents	\$ 100,462	\$ 46,429	\$ 146,891
Restricted cash and cash equivalents	385,712	158,631	544,343
Total cash and cash equivalents	\$ 486,174	\$ 205,060	\$ 691,234

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

**CITY OF JACKSON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property taxes	\$ 331,267	\$ (15,567)	\$ 315,700	\$ 315,792	\$ 92
Delinquent taxes	6,838	24,992	31,830	28,283	(3,547)
Franchise taxes	53,000	6,361	59,361	59,360	(1)
Occupational license fee	1,366,270	41,430	1,407,700	1,407,694	(6)
Garbage collections	353,000	(38,650)	314,350	378,879	64,529
Tourism tax	300,000	20,975	320,975	323,146	2,171
Insurance premium tax	354,000	83,050	437,050	434,870	(2,180)
Grant income	90,000	(90,000)	-	201,850	201,850
Coal severance	10,000	(8,975)	1,025	1,916	891
Interest income	-	-	-	540	540
Other income	392,155	206,548	598,703	394,091	(204,612)
<b>Total revenues</b>	<b>3,256,530</b>	<b>230,164</b>	<b>3,486,694</b>	<b>3,546,421</b>	<b>59,727</b>
<b>Expenditures</b>					
General government	868,000	227,288	1,095,288	998,133	97,155
Police	650,000	33,125	683,125	674,176	8,949
Fire	300,000	(68,102)	231,898	213,000	18,898
Park	304,000	20,393	324,393	336,310	(11,917)
Streets	173,122	(34,222)	138,900	136,511	2,389
Sanitation	303,750	184,733	488,483	320,217	168,266
Social service	3,000	-	3,000	3,000	-
Capital outlay	191,658	129,872	321,530	273,890	47,640
Debt service	463,000	(141,750)	321,250	353,450	(32,200)
<b>Total expenditures</b>	<b>3,256,530</b>	<b>351,337</b>	<b>3,607,867</b>	<b>3,308,687</b>	<b>299,180</b>
Excess (deficiency) of revenues over (under) expenditures	-	(121,173)	(121,173)	237,734	358,907
<b>Other financing sources (uses):</b>					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	(121,173)	(121,173)	237,734	358,907
Fund balance, beginning of year	-	31,885	31,885	934,204	902,319
Fund balance, end of year	\$ -	\$ (89,288)	\$ (89,288)	\$ 1,171,938	\$ 1,261,226

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

**CITY OF JACKSON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Tourism tax	\$ -	\$ -	\$ -	\$ 30,101	\$ 30,101
Insurance premium tax	-	-	-	-	-
Grant income	120,278	(120,278)	-	95,893	95,893
Coal severance	-	-	-	-	-
Municipal road aid	1,600	(705)	895	20,407	19,512
Interest income	-	-	-	31	31
Other income	-	-	-	35,697	35,697
<b>Total revenues</b>	<u>121,878</u>	<u>(120,983)</u>	<u>895</u>	<u>182,129</u>	<u>181,234</u>
<b>Expenditures</b>					
Fire	-	-	-	68,970	(68,970)
Streets	121,878	(120,983)	895	41,649	(40,754)
Tourism	-	-	-	-	-
Parks	-	-	-	-	-
Social service	-	-	-	1,085	(1,085)
Capital outlay	-	-	-	-	-
Debt service	-	-	-	70,000	(70,000)
<b>Total expenditures</b>	<u>121,878</u>	<u>(120,983)</u>	<u>895</u>	<u>181,704</u>	<u>(180,809)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>425</u>	<u>425</u>
<b>Other financing sources (uses):</b>					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	425	425
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,706</u>	<u>442,706</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,131</u>	<u>\$ 443,131</u>

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



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

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the City of Jackson, Kentucky (the "City") conform to U.S. generally accepted accounting principles. The following notes are an integral part of the City of Jackson, Kentucky's financial statements.

The City of Jackson, Kentucky was created by the Acts of the Kentucky General Assembly and operates under an elected Mayor and City Council form of government and provides such services as police, fire, streets, sanitation, parks and recreation, and social service.

**a. Reporting Entity**

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

Based upon these criteria, the City has no component units to be reported in these financial statements.

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity 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 function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon

as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is a major fund.

The City reports the following major Proprietary Funds:

Water Fund - The Water Fund is used to account for water services for the City and surrounding communities.

Sewer Fund - The Sewer Fund is used to account for sewer services for the City and surrounding communities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City Utility Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Enterprise Funds, are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### d. Budgeting

Prior to June 30, the Mayor submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them. The Mayor is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Therefore, the level of control on budgetary items is maintained at the department level. Management is of the opinion that its method of adopting the budget is in compliance with applicable regulations.

e. Investments

Investments are carried at market value. The investment policy allows the City to invest in those instruments authorized by KRS 66.480.

f. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capitalized assets are recorded at their acquisition values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Water and Sewer Systems	40-50 years
Equipment & Vehicles	3-10 years
Buildings	40 years
Infrastructure	20 years

The City is required by GASB 34 to prospectively report general infrastructure assets in the statement of net position.

g. Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed and assigned resources first, then unassigned resources as they are needed.

h. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments (including restricted cash) with a maturity of three months or less when purchased to be cash equivalents.

i. Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

k. Pension and OPEB

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

l. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension costs. Actual results could differ from estimated amounts.

m. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers or as reimbursements of expenses, when applicable.

n. Interfund Receivables (Payables)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds."

o. New Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 was effective for the City beginning with its year ending June 30, 2021. The adoption of this standard did not have a material effect on the City’s financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (“GASB 91”), which aims to provide a single method of reporting conduit debt obligations by issuers and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 achieves those objectives by (1) clarifying the existing definition of a conduit debt obligation; (2) establishing that a conduit debt obligation is not a liability of the issuer; (3) establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and (4) improving required note disclosures. This Statement addresses arrangements (i.e., often characterized as leases) that are associated with conduit debt obligations. In such arrangements, (1) capital assets are constructed or acquired from the proceeds of a conduit debt obligation and are used by third-party obligors in the course of their activities; (2) payments from third-party obligors are intended to cover and coincide with debt service payments; (3) issuers retain the titles

to the capital assets, which may or may not pass to the obligors at the end of the arrangements, depending upon the circumstances; and (4) issuers should neither report those arrangements as leases, nor recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additionally, this Statement requires issuers to disclose general information concerning their conduit debt obligations, organized by type of commitment(s). Issuers that recognize liabilities related to conduit debt obligations also should disclose information concerning the amount recognized and the manner in which the liabilities changed during the reporting period. GASB 91 is effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the City's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the City beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

## **(2) CASH AND INVESTMENTS**

Deposits - The funds of the City must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2021, the carrying amount of the City's deposits (including amounts in restricted asset accounts) was \$1,849,932 and the bank balances totaled \$1,935,850. The difference between the carrying amounts and the bank balances was due to items in transit. Of the bank balances, \$601,638 was covered by the Bank Insurance Fund as of June 30, 2021 and the remainder was collateralized by pledge securities.

Restricted Cash - The Jackson Municipal Waterworks System is required to maintain restricted bank accounts in accordance with ordinances established in connection with the sale of the Waterworks Revenue Bond issues of 2010, 2013, 2017, 2018, and 2020B. Specified amounts of current operating receipts are to be deposited to the restricted bank accounts monthly. Disbursements from the accounts are restricted as specified to the retirement of outstanding bonds, semiannual interest payments, and utility plant additions or replacements.

Investments - At June 30, 2021, the City had the following investments that were considered cash equivalents and maturities:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Mutual funds	\$ 109,959	\$ 109,959	\$ -	\$ -	\$ -

Interest Rate Risk. 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. The City may invest the monies in interest-bearing bonds of any county, urban-county government or city of the first, second, or third class in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895.

### (3) PROPERTY TAXES

Property is assessed at its value on January 1 of each year. Taxes are payable in one installment on or before January 31 of the next year. The City bills and collects its own property taxes.

The 2021 assessed value for real and tangible property was \$118,039,233. The tax rate adopted was \$.28 and \$.28 per \$100 valuation for real and tangible property, respectively.

### (4) CAPITAL ASSETS

A summary of changes in the City's capital assets is as follows:

	June 30, 2020	Increases	Decreases	June 30, 2021
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Depreciated:				
Land	\$ 575,000	\$ -	\$ -	\$ 575,000
<b>Capital Assets, Depreciated:</b>				
City Hall	1,178,137	-	-	1,178,137
Administrative office & equipment	26,760	-	-	26,760
Infrastructure	366,021	-	-	366,021
Street equipment	326,274	25,902	-	352,176
Fire equipment & vehicles	1,563,265	-	-	1,563,265
Fire department buildings	776,431	-	-	776,431
Parks and recreation	3,936,516	-	-	3,936,516
Sanitation equipment	406,084	194,480	-	600,564
Police equipment & vehicles	514,869	53,508	-	568,377
Totals	9,669,357	273,890	-	9,943,247
Less: Accumulated Depreciation	(6,716,296)	(303,704)	-	(7,020,000)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 2,953,061</b>	<b>\$ (29,814)</b>	<b>\$ -</b>	<b>\$ 2,923,247</b>
<b><u>Business-type Activities</u></b>				
Capital Assets, Not Depreciated:				
Land	\$ 536,862	\$ -	\$ -	\$ 536,862
Construction in progress	1,128,607	790,234	-	1,918,841
<b>Capital Assets, Depreciated:</b>				
Distribution plant and equipment	28,232,003	-	-	28,232,003
Machinery and equipment	1,821,793	-	-	1,821,793
Totals	31,719,265	790,234	-	32,509,499
Less: Accumulated Depreciation	(14,899,202)	(779,267)	-	(15,678,469)
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 16,820,063</b>	<b>\$ 10,967</b>	<b>\$ -</b>	<b>\$ 16,831,030</b>

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

Governmental activities:	
General government	\$ 27,988

Police	35,050
Fire	75,116
Street	9,348
Sanitation	26,865
Park	110,736
Infrastructure	18,601
	<u>\$ 303,704</u>
Business-type activities:	
Water	\$ 545,999
Sewer	233,268
	<u>\$ 779,267</u>

**(5) LONG-TERM DEBT**

**Business-Type Activities**

Long-term debt of Proprietary Funds at June 30, 2021 consists of the following:

Bonds Payable:

\$60,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1983, payable in annual installments ranging from \$2,000 to \$3,000 through 2022, with interest paid semi-annually at 5.00%

\$ -

\$650,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2016, payable in annual installments ranging from \$11,500 to \$24,500 through 2056, with interest paid semi-annually at 2.0%

615,000  
615,000

Capital Lease Obligation:

\$450,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments of \$3,514 through November, 2022, with interest at 3.82%

54,112

\$890,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2040, with interest at rates ranging from 1.1% to 4.7%

671,670

\$465,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2038, with interest at 3.125%

294,583

\$2,825,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through January, 2040, with interest at 2.25%

2,555,833  
3,576,198

Installment Notes Payable:

\$1,500,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments in the amount of



\$39,789 through 2030 with interest paid semi-annually at 1.0%	361,405
\$700,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments with interest paid semi-annually at 1.0%	438,905
\$593,000 subordinated assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments through 2038 with interest paid semi-annually at .25%	267,512
4.00% loan agreement to Citizens Bank & Trust, \$1,456,419 payable from EDA and ARC grant proceeds and maturing March 5, 2021	202,556
6.00% loan agreement with a local bank, \$52,520 with monthly payments of \$995 through March, 2023, secured by a jetter	19,179
	<u>1,289,557</u>
Total long-term debt - proprietary funds	5,480,756
Less - current portion	(523,672)
	<u>\$ 4,957,084</u>

The debt service requirements on the above proprietary fund indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 523,672	\$ 139,451	\$ 663,123
2023	305,757	120,005	425,762
2024	283,495	113,607	397,102
2025	288,862	107,862	396,724
2026	295,407	98,812	394,219
2027-2031	1,453,237	404,834	1,858,071
2032-2036	1,164,899	254,314	1,419,213
2037-2041	846,428	136,901	983,329
2042-2046	95,499	28,160	123,659
2047-2051	106,000	18,180	124,180
2052-2056	117,500	7,150	124,650
	<u>\$ 5,480,756</u>	<u>\$1,429,276</u>	<u>\$ 6,910,032</u>

The Rural Development revenue bonds require annual deposits to the reserve account of approximately \$2,520 to attain a balance of \$5,040 as of June 30, 2021. The balance of this reserve at June 30, 2021 was \$6,360. The 2018 KIA loan requires annual deposits to the reserve account of \$1,750 starting January 1, 2018 to attain a balance of \$30,000. The 2013 KIA loan requires annual deposits to the reserve account of \$1,750 starting December 1, 2015 to attain a balance of \$17,500. The 2010 KIA loan requires annual deposits to the reserve account of \$3,750 starting December 1, 2011 to attain a balance of \$37,500. The City had \$74,535 of KIA reserve funds at June 30, 2021.

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<b><u>Governmental Activities</u></b>				
Capital lease obligation with Kentucky League of Cities, \$3,385,000 with monthly payments through January, 2027, secured by general obligations	\$ 1,841,247	\$ -	\$ 289,165	\$ 1,552,082
Interest-free note payable to Breathitt County Health Department, \$42,000 due in annual installments of \$3,000 through July, 2026, parking lot	18,000	-	3,000	15,000
Net pension liability	2,362,909	9,375	-	2,372,284
Net OPEB liability	564,943	181,695	-	746,638
Compensated absences	142,414	-	12,142	130,272
	<u>\$ 4,929,513</u>	<u>\$ 191,070</u>	<u>\$ 304,307</u>	<u>\$ 4,816,276</u>

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<b><u>Business-type Activities</u></b>				
Notes payable	\$ 1,276,099	\$ 202,556	\$ 189,098	\$ 1,289,557
Capital lease obligation	3,790,910	-	214,712	3,576,198
Bonds payable	633,000	-	18,000	615,000
Net pension liability	1,142,642	110,030	-	1,252,672
OPEB liability	273,192	121,066	-	394,258
Compensated absences	60,756	6,011	-	66,767
Total Business-type Activities	<u>\$ 7,176,599</u>	<u>\$ 439,663</u>	<u>\$ 421,810</u>	<u>\$ 7,194,452</u>

**Governmental Activities**

The total governmental activities long-term debt is as follows:

Current portion - City of Jackson	\$ 300,080
Long-term portion	1,267,002
Total	<u>\$ 1,567,082</u>

The annual requirements to amortize the City's indebtedness as of June 30, 2021 (including interest payments) are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 300,080	\$ 50,894	\$ 350,974
2023	309,250	41,240	350,490
2024	324,250	31,286	355,536
2025	337,165	20,843	358,008
2026	240,915	9,983	250,898
2027	55,422	2,055	57,477
	<u>\$ 1,567,082</u>	<u>\$ 156,301</u>	<u>\$ 1,723,383</u>

## (6) LEGAL CONTINGENCIES

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position or results of operations.

## (7) RISK MANAGEMENT

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

## (8) RETIREMENT PLAN

### County Employees Retirement System

*Plan description:* Substantially all full-time employees of the City participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2021, employers were required to contribute 24.06% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2021, the City contributed \$235,992 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2020, the City's proportion was 0.047262%.

For the year ended June 30, 2021, the City recognized pension expense of \$501,698. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,395	\$ -

Changes of assumptions	141,548	-
Net difference between projected and actual earnings on pension plan investments	90,710	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	74,741	122,803
City's contributions subsequent to the measurement date	235,992	-
Total	<u>\$ 633,386</u>	<u>\$ 122,803</u>

At June 30, 2021, the City reported deferred outflows of resources for the City contributions subsequent to the measurement date of \$235,992. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2022	\$ 132,408
2023	68,703
2024	37,050
2025	36,430
	<u>\$ 274,591</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled

Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
<b>Total</b>	<b><u>100.00%</u></b>	<b>3.96%</b>

*\*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$ 4,470,360	\$ 3,624,956	\$ 2,924,930

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2021, there was a payable to the CERS Pension Plan of \$24,153.

## **(9) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN**

### County Employees Retirement System

*Plan description:* The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2021, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2021, the City contributed \$58,203 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

*Implicit Subsidy:* The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

## OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2020, the City's proportion was 0.047248%.

For the year ended June 30, 2021, the City recognized OPEB expense of \$144,267, including an implicit subsidy of \$23,744. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 190,620	\$ 190,769
Changes of assumptions	198,448	1,207
Net difference between projected and actual earnings on investments	37,921	-
Changes in proportion and differences between City contributions and proportionate share of contributions	35,515	67,214
City contributions subsequent to the measurement date	58,203	-
	<u>\$ 520,707</u>	<u>\$ 259,190</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$58,203 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2022	\$ 52,291
2023	63,513
2024	42,032
2025	45,988
2026	(510)
Thereafter	-
	<u>\$ 203,314</u>

*Actuarial Methods and Assumptions:* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal

Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022 and, increasing to 6.30% in 2023 gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

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



The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>

*\*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

*Discount rate* – The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	<u>1% Decrease (4.34%)</u>	<u>Current discount rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
City's proportionate share of the net OPEB liability	\$ 1,465,716	\$ 1,140,896	\$ 874,110

*Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates:* The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 883,338	\$ 1,140,896	\$ 1,453,447

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

*Payables to the OPEB plan:* At June 30, 2021, there was a payable to the CERS OPEB Plan of \$5,957.

**(10) INTERFUND TRANSACTIONS**

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 720,200
General Fund	Sewer Fund	42,704

In addition, the General Fund refinanced debt of the Water and Sewer Funds in 2006 for which the Water Fund is paying \$6,170.75/month and the Sewer Fund is paying \$5,890.67/month to the General Fund for their portion of the debt service which offsets debt service expense. On July 3, 2020, the City entered into a loan agreement with the Water Fund in the amount of \$79,000. The balance of this loan at June 30, 2021 was \$73,800 and included in the due to/from balances of the respective funds.

**(11) CONTINGENCY**

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact future revenues. Other financial impact could occur, but such potential impact is unknown at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF JACKSON  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2021

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>Pension:</b>							
City's proportion of the net pension liability	0.047262%	0.049844%	0.466620%	0.049515%	0.052896%	0.058417%	0.052225%
City's proportionate share of the net pension liability	\$ 3,624,956	\$ 3,505,551	\$ 2,841,858	\$ 2,898,265	\$ 2,604,411	\$ 2,511,669	\$ 1,694,000
City's covered-employee payroll	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	300.287%	266.612%	245.233%	246.612%	206.403%	188.664%	141.389%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
<b>OPEB:</b>							
City's proportion of the net OPEB liability	0.047248%	0.049831%	0.046661%	0.049515%			
City's proportionate share of the net OPEB liability	\$ 1,140,896	\$ 838,135	\$ 828,457	\$ 995,421			
City's covered-employee payroll	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233			
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	94.510%	63.744%	71.490%	84.700%			
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%			

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

**CITY OF JACKSON  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pension:								
Contractually required contribution	\$ 235,992	\$ 232,983	\$ 213,269	\$ 167,811	\$ 163,945	\$ 156,717	\$ 169,739	\$ 164,621
Contributions in relation to the contractually required contribution	<u>235,992</u>	<u>232,983</u>	<u>213,269</u>	<u>167,811</u>	<u>163,945</u>	<u>156,717</u>	<u>169,739</u>	<u>164,621</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's contributions as a percentage of its covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:								
Contractually required contribution	\$ 58,203	\$ 57,461	\$ 69,169	\$ 54,455	\$ 55,589			
Contributions in relation to the contractually required contribution	<u>58,203</u>	<u>57,461</u>	<u>69,169</u>	<u>54,455</u>	<u>55,589</u>			
Contribution deficiency (excess)	-	-	-	-	-			
City's covered-employee payroll	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233			
City's contributions as a percentage of its covered-employee payroll	4.76%	4.76%	5.26%	4.70%	4.73%			

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

**CITY OF JACKSON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**(1) CHANGES OF ASSUMPTIONS**

CERS - Pension

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

#### CERS – Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.33% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

## **(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

#### CERS - Pension

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service

Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

#### CERS – Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2020:

Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	25 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

### **(3) CHANGES OF BENEFITS**

#### CERS - Pension

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

#### CERS – Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.



## **SUPPLEMENTARY INFORMATION**

**CITY OF JACKSON, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<u>Park</u>	<u>Shop With A Cop</u>	<u>ABC Account</u>	<u>Police Grants</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	<u>\$ 27,691</u>	<u>\$ 13,938</u>	<u>\$ 72,199</u>	<u>\$ 48,056</u>	<u>\$ 161,884</u>
Total assets	<u><u>\$ 27,691</u></u>	<u><u>\$ 13,938</u></u>	<u><u>\$ 72,199</u></u>	<u><u>\$ 48,056</u></u>	<u><u>\$ 161,884</u></u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	<u>27,691</u>	<u>13,938</u>	<u>72,199</u>	<u>48,056</u>	<u>161,884</u>
Total fund balances	<u>27,691</u>	<u>13,938</u>	<u>72,199</u>	<u>48,056</u>	<u>161,884</u>
Total liabilities and fund balances	<u><u>\$ 27,691</u></u>	<u><u>\$ 13,938</u></u>	<u><u>\$ 72,199</u></u>	<u><u>\$ 48,056</u></u>	<u><u>\$ 161,884</u></u>

**CITY OF JACKSON, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Park	Shop With A Cop	ABC Account	Police Grants	Total Non-Major Governmental Funds
<b>Revenues</b>					
Arrest fees, fines and forfeitures	\$ -	\$ -	\$ -	\$ 7,055	\$ 7,055
Parks and recreation	58,841	-	-	-	58,841
Grant income	-	-	-	62,858	62,858
Alcohol revenue	-	-	109,122	-	109,122
Other income	-	17,628	-	-	17,628
Total revenues	<u>58,841</u>	<u>17,628</u>	<u>109,122</u>	<u>69,913</u>	<u>255,504</u>
<b>Expenditures</b>					
Police	-	19,227	67,724	60,600	147,551
Parks	46,980	-	-	-	46,980
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>46,980</u>	<u>19,227</u>	<u>67,724</u>	<u>60,600</u>	<u>194,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,861</u>	<u>(1,599)</u>	<u>41,398</u>	<u>9,313</u>	<u>60,973</u>
<b>Other financing sources (uses):</b>					
Transfer from other funds	-	-	-	-	-
Proceeds from debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,861	(1,599)	41,398	9,313	60,973
Fund balance, beginning of year	<u>15,830</u>	<u>15,537</u>	<u>30,801</u>	<u>38,743</u>	<u>100,911</u>
Fund balance, end of year	<u>\$ 27,691</u>	<u>\$ 13,938</u>	<u>\$ 72,199</u>	<u>\$ 48,056</u>	<u>\$ 161,884</u>

**CITY OF JACKSON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Commerce</u>				
Direct:				
Economic Adjustment Program	11.307	Lakeside Drive	\$ -	\$ 204,741
Total U.S. Department of Commerce			-	204,741
<u>U.S. Department of Transportation</u>				
Passed Through the Kentucky Office of Highway Safety -				
Dept of State Police Highway Safety Program	20.600	KY0033604	-	11,037
Total U.S. Department of Transportation			-	11,037
<u>U.S. Department of Agriculture</u>				
Direct:				
Community Facilities Grant	10.766	-	-	145,860
Community Facilities Grant	10.766	-	-	50,000
Total U.S. Department of Transportation			-	195,860
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Kentucky Department for Local Government:				
Community Development Block Grant	14.228	Waterline Extension - 19-021	-	221,209 *
Total U.S. Department of Housing and Urban Development			-	221,209
<u>Appalachian Regional Commission</u>				
Passed Through Kentucky Department for Local Government:				
Appalachian Regional Commission	23.002	Waterline Extension - 19-021	-	364,283 *
Total Appalachian Regional Commission			-	364,283
<u>U. S. Department of Treasury</u>				
Passed Through Kentucky Department for Local Government:				
Coronavirus Relief Funds	21.019	C2-018 & C064	-	185,958
Total U.S. Department of Treasury			-	185,958
Total Expenditures of Federal Awards			\$ -	\$ 1,183,088

\* Denotes major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson under the programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Jackson, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

The City of Jackson has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.




**Kelley Galloway**  
**Smith Goolsby, PSC**

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

The Honorable Mayor  
and Members of City Council  
City of Jackson  
Jackson, 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 the City of Jackson (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2021-001, 2021-002, and 2021-003.

## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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

Kelley Ballaway Smith Zolshy, PSC

Ashland, Kentucky  
February 15, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor  
and Members of City Council  
City of Jackson  
Jackson, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Jackson's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kelley Ballouay Smith Hooley, PSC*

Ashland, Kentucky  
February 15, 2022



**CITY OF JACKSON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

**A. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether  
the financial statements audited were prepared  
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified?

  X   Yes        No

☐ Significant deficiency(ies) identified?

       Yes   X   None reported

Noncompliance material to the  
financial statements noted?

       Yes   X   No

***Federal Awards***

Internal control over major federal programs:

☐ Material weakness(es) identified?

       Yes   X   No

☐ Significant deficiency(ies) identified?

       Yes   X   None reported

Type of auditor's report issued on  
compliance for major federal programs:

Unmodified

Any audit findings disclosed that are  
required to be reported in accordance  
with 2 CFR 200.516(a)?

       Yes   X   No

Identification of Major Programs:  
Community Development Block Grant  
Appalachian Regional Commission

CFDA No.  
14.228  
23.002

Dollar threshold used to distinguish between type A  
and type B programs:

\$750,000

Auditee qualified as low risk auditee?

       Yes   X   No

**CITY OF JACKSON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**B. FINANCIAL STATEMENT FINDINGS**

**2021-001 PAYABLES AND RECEIVABLES**

*Statement of Condition:* The City maintains their financial records on a cash basis; therefore, we had several audit adjustments related to unrecorded accounts payable, accrued liabilities, and accounts receivable at June 30, 2021.

*Criteria for Condition:* Modified accrual or accrual (for Proprietary Fund Types) basis of accounting is recommended by the American Institute of Certified Public Accountants in its industry audit guide, “*Audits of State and Local Governmental Units*”.

*Cause of Condition:* The City currently maintains its accounting records on the cash basis of accounting.

*Effect of Condition:* As a result, financial statements prepared during the year could be misleading.

*Recommendation for Correction:* We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

*Management Response and Corrective Action Plan:* The City will provide a list of vendors and amounts due to them as of June 30, 2021 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.

**2021-002 BANK RECONCILIATIONS**

*Statement of Condition:* We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

*Criteria for Condition:* Performing timely and accurate bank reconciliations provide for more accurate financial statements.

*Cause of Condition:* Personnel do not investigate outages or old outstanding items enough.

*Effect of Condition:* Inaccurate bank reconciliations.

*Recommendation for Correction:* We recommend that any bank reconciliation outages be investigated until found each month. Also, any outstanding items that have been outstanding for more than 90 days be should be investigated further. In addition, the Mayor should start reviewing and initialing all bank reconciliations to ensure that they are being done properly.

*Management's Response and Corrective Action Plan:* The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.

## **2021-003 GARBAGE TRANSFERS**

*Statement of Condition:* We noted that August 2020's garbage collections had not been transferred from the Water Fund to the General Fund as of year-end.

*Criteria for Condition:* The Water Fund collects the garbage receipts and is to remit them to the General Fund monthly in a timely manner.

*Cause of Condition:* There are no checks and balances in place to ensure that these transfers are being made.

*Effect of Condition:* Inaccurate financial statements.

*Recommendation for Correction:* We recommend that these transfers be made on the same date every month and that someone follow-up if not made by that date.

*Management's Response and Corrective Action Plan:* The Water Department will transfer Garbage monies collected by the 1<sup>st</sup> day of the following month. If not transferred, the Assistant Clerk will follow-up with Water Department personnel.

### **C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted in current year.

**CITY OF JACKSON**  
**333 Broadway**  
**Jackson, KY 41339**  
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**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2021-001	The City will provide a list of vendors and amounts due to them as of June 30, 2022 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.	June 30, 2022	Laura Thomas, Mayor
2021-002	The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.	June 30, 2022	Laura Thomas, Mayor
2021-003	The Water Department will transfer Garbage monies collected by the 1 <sup>st</sup> day of the following month. If not transferred, the Assistant Clerk will follow-up with Water Department personnel.	June 30, 2022	Laura Thomas, Mayor

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Findings

Findings/Noncompliance

2020-001

We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

Status: This was repeated as 2021-001 in the current year.

2020-002

We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

Status: This was repeated as 2021-002 in the current year.