



THE  
CITY  
OF

# GUTHRIE

**City of Guthrie, Kentucky**

Independent Auditors' Report

And Financial Statements

For the Year Ended

June 30, 2021

City of Guthrie, Kentucky  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Jimmy Covington, Mayor  
City Council  
City of Guthrie, Kentucky

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guthrie, 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.

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 Guthrie, Kentucky, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB schedules on pages 4-8, 44-49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for forming opinions on the financial statements that collectively comprise the City of Guthrie, Kentucky's basic financial statements. The combining financial schedules on pages 51-52 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial schedules are the responsibility of management, were derived from, and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 January 18, 2024 on our consideration of the City of Guthrie, Kentucky'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Guthrie, Kentucky's internal control over financial reporting and compliance.

***Baldwin CPA's, PLLC***

Baldwin CPA's, PLLC  
Richmond, Kentucky  
January 18, 2024

**CITY OF GUTHRIE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

As management of the City of Guthrie, Kentucky (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the City was \$1,655,648 as compared with the beginning cash balance of \$1,474,352. The ending cash and investments balances consisted of amounts in the General Fund of \$737,325, Nonmajor Governmental Funds of \$185,434 and Proprietary Funds (Water, Sewer, Sanitation and Gas) of \$732,889.
- The City's General Fund operating revenues for the fiscal year ended June 30, 2021 were \$1,206,391 down from \$2,627,450 the previous fiscal year, primarily related to intergovernmental revenues.
- Net position for governmental activities at June 30, 2021 was \$3,349,988, an increase from the previous year amount of \$3,284,285 due to a current year increase of \$96,298.
- Tax revenue was \$766,963 which was a decrease of \$64,421 from prior year revenue and license revenue was \$109,808 which was a decrease of \$530 from prior year revenue.
- Enterprise operations generated operating revenues of \$1,149,780 for the year ended June 30, 2021, up from \$1,010,690 for the previous year.
- Business-type activities net position for fiscal year 2021 was \$2,606,802, up \$182,100 from fiscal year 2020 of \$2,424,702

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements** – The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position – the difference between the City's assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City, the reader needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of buildings and infrastructure.

## CITY OF GUTHRIE, KENTUCKY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

In the government-wide financial statements, all of the City's activities are reported as governmental activities.

- Governmental activities – All of the City's basic services are included here, such as administration, fire and police protection, highways and streets maintenance and water and sewer services. Property taxes, licenses and permits and user fees finance most of the activities.

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major funds" – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the City provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The City's proprietary funds are Water, Sewer, Sanitation and Gas operations. The proprietary fund statements are the same as the business-type activities in the governmentwide statements, but provide more detail and additional information, such as cash flows.

**Notes to financial statements** – the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules, as listed in the table of contents.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental assets plus deferred outflows of resources exceeded governmental liabilities plus deferred inflows of resources by \$3,349,988, and business-type assets plus deferred outflows of resources exceeded business-type liabilities plus deferred inflows of resources by \$2,606,802 as of June 30, 2021.

A significant portion of the City's net position reflects its investment in capital assets. (e.g., land, buildings and improvements, infrastructure, vehicles, equipment and construction in progress) less any outstanding debt used to acquire those assets. The City uses these capital assets for the benefit of the City; consequently, these assets are not available for future spending.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets and the depreciation of capital assets.



**CITY OF GUTHRIE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Following are summary schedules of the City's government-wide net position at June 30, 2021 and 2020.

**Table 1 Condensed Statement of Net Position**

	Governmental Activities 2021	Business-type Activities 2021	Total Primary Government 2021	Governmental Activities 2020	Business-type Activities 2020	Total Primary Government 2020
Current and Other Assets	\$ 1,055,097	\$ 856,179	\$ 1,911,276	\$ 992,470	\$ 1,925,161	\$ 2,917,631
Non Current and Capital Assets	3,136,872	5,002,362	8,139,234	3,254,202	4,497,109	7,751,311
Total Assets	<u>4,191,969</u>	<u>5,858,541</u>	<u>10,050,510</u>	<u>4,246,672</u>	<u>6,422,270</u>	<u>10,668,942</u>
Deferred Outflows of Resources	467,053	166,454	633,507	369,479	152,461	521,940
Non-Current Liabilities	1,207,899	1,603,000	2,810,899	1,006,282	2,704,110	3,710,392
Current Liabilities	43,524	1,775,555	1,819,079	1,183,508	247,407	1,430,915
Total Liabilities	<u>1,251,423</u>	<u>3,378,555</u>	<u>4,629,978</u>	<u>2,189,790</u>	<u>2,951,517</u>	<u>5,141,307</u>
Deferred Inflows of Resources	57,611	39,638	97,249	298,953	41,635	340,588
<b>Net Position:</b>						
Invested in Capital Assets, net of debt	3,057,143	2,291,226	5,348,369	3,209,637	2,070,430	5,280,067
Restricted	217,631	352,674	570,305	329,017	362,736	691,753
Assigned	1,930	-	1,930	-	-	-
Unrestricted	73,284	(37,098)	36,186	(1,411,246)	1,148,413	(262,833)
Total Net Position	<u>\$ 3,349,988</u>	<u>\$ 2,606,802</u>	<u>\$ 5,956,790</u>	<u>\$ 2,127,408</u>	<u>\$ 3,581,579</u>	<u>\$ 5,708,987</u>

**Changes in net position** – The City's governmental activities net position increased by \$96,298 primary related revenues exceeding expenses, The business-type activities net position increase of \$182,100 was primarily related to an increase in charges for services.

The City's financial position is the product of many factors. For example, the determination of the City's investment in capital assets, net of related debt, involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**CITY OF GUTHRIE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Following are summary schedules of changes in the City's net position for the years ended June 30, 2021 and 2020:

**Table 2: Condensed Statement of Activities**

	Governmental Activities 2021	Business-type Activities 2021	Total Primary Government 2021	Governmental Activities 2020	Business-type Activities 2020	Total Primary Government 2020
<b>Program Revenues</b>						
Charges for Services	\$ -	\$ 1,065,470	\$1,065,470	\$ -	\$ 877,731	\$ 877,731
Operating Grants & Contributions	207,332	-	207,332	28,246	-	28,246
Capital Grants & Contributions	118,351	-	118,351	1,631,002	-	1,631,002
<b>Total Revenue</b>	<b>325,683</b>	<b>1,065,470</b>	<b>1,391,153</b>	<b>1,659,248</b>	<b>877,731</b>	<b>2,536,979</b>
<b>Program Expenses</b>						
General government	469,085	-	469,085	554,462	-	554,462
Public service	50,917	-	50,917	31,420	-	31,420
Public safety	356,890	-	356,890	426,804	-	426,804
Culture and recreation	21	-	21	22,224	-	22,224
Interest on long-term debt	1,141	-	1,141	1,731	-	1,731
Water	-	439,885	439,885	-	423,025	423,025
Sewer	-	595,496	595,496	-	430,145	430,145
Sanitation	-	91,618	91,618	-	96,888	96,888
Gas	-	57,211	57,211	-	46,940	46,940
<b>Total Program Expenses</b>	<b>878,054</b>	<b>1,184,210</b>	<b>2,062,264</b>	<b>1,036,641</b>	<b>996,998</b>	<b>2,033,639</b>
<b>Net Revenues (Expenses)</b>	<b>(552,371)</b>	<b>(118,740)</b>	<b>(671,111)</b>	<b>622,607</b>	<b>(119,267)</b>	<b>503,340</b>
<b>General Revenues</b>						
Taxes	766,963	-	766,963	831,384	-	831,384
Licenses and permits	109,808	-	109,808	110,338	-	110,338
Other	10,304	44,631	54,935	58,540	132,959	191,499
Interest income	6,230	11,573	17,803	5,809	9,880	15,689
<b>Total General Revenue</b>	<b>893,305</b>	<b>56,204</b>	<b>949,509</b>	<b>1,006,071</b>	<b>142,839</b>	<b>1,148,910</b>
Transfers	(244,636)	244,636	-	(2,238,229)	2,238,229	-
<b>Net Change in Net Position</b>	<b>\$ 96,298</b>	<b>\$ 182,100</b>	<b>\$ 278,398</b>	<b>\$ (609,551)</b>	<b>\$ 2,261,801</b>	<b>\$ 1,652,250</b>

This statement is presented on an accrual basis of accounting and includes all the governmental and business-type activities of the City. This statement includes depreciation expense but excludes capital asset purchase costs.

**CITY OF GUTHRIE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**BUDGETARY HIGHLIGHTS**

The City's General Fund revenues (excluding debt proceeds) for the fiscal year ended June 30, 2021 were \$1,206,391. General Fund budgeted receipts compared to actual receipts varied from line item to line item with the ending actual balance being \$392,450 more than anticipated. The total cost of all General Fund programs and services (excluding transfers out) was \$914,649 The actual cost of all General Fund programs and services was \$162,880 less than anticipated.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Mayor or City Clerk at 270.483.2511 or by mail at P.O. Box 125, Guthrie, Kentucky 42234.

**City of Guthrie, Kentucky**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 705,128	\$ 380,215	\$ 1,085,343
Receivables, net of allowance for uncollectible	112,402	104,722	217,124
Interfund receivables	19,936	18,568	38,504
Restricted assets			
Cash and cash equivalents	217,631	352,674	570,305
Capital assets			
Non-depreciable	51,600	1,037,709	1,089,309
Depreciable (net)	3,085,272	3,964,653	7,049,925
Total assets	<u>4,191,969</u>	<u>5,858,541</u>	<u>10,050,510</u>
<b>Deferred Outflows of Resources</b>			
OPEB related	161,777	94,355	256,132
Pension related	305,276	72,099	377,375
Total deferred outflows of resources	<u>467,053</u>	<u>166,454</u>	<u>633,507</u>
Total assets and deferred outflows	<u>\$ 4,659,022</u>	<u>\$ 6,024,995</u>	<u>\$ 10,684,017</u>
<b>Liabilities</b>			
Accounts payable	\$ 21,796	\$ -	\$ 21,796
Interfund payables	-	38,504	38,504
Accrued interest payable	645	16,172	16,817
Customer deposits	-	120,022	120,022
Long-term liabilities			
Due within on year	14,853	52,500	67,353
Due beyond one year	64,876	1,550,500	1,615,376
Interim Debt Financing	-	1,108,136	1,108,136
Net OPEB liability	260,801	132,263	393,064
Net pension liability	888,452	360,458	1,248,910
Total liabilities	<u>1,251,423</u>	<u>3,378,555</u>	<u>4,629,978</u>
<b>Deferred Inflows of Resources</b>			
OPEB related	43,875	30,491	74,366
Pension related	13,736	9,147	22,883
Total deferred inflows of resources	<u>57,611</u>	<u>39,638</u>	<u>97,249</u>
<b>Net Position</b>			
Net invested in capital assets	3,057,143	2,291,226	5,348,369
Assigned	1,930	-	1,930
Restricted for			
Municipal road aid	3,154	-	3,154
Veterans Memorial fund	3,092	-	3,092
Police department	3,359	-	3,359
Fire department	25,386	-	25,386
Cemetery	180,350	-	180,350
Debt service	-	352,674	352,674
Other	2,290	-	2,290
Unrestricted	73,284	(37,098)	36,186
Total net position	<u>3,349,988</u>	<u>2,606,802</u>	<u>5,956,790</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,659,022</u>	<u>\$ 6,024,995</u>	<u>\$ 10,684,017</u>

**City of Guthrie, Kentucky**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expenses) Revenues	Net Revenue (Expense)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 469,085	\$ -	\$ 26,150	\$ 118,351	\$ (324,584)	\$ (324,584)	\$ -	\$ (324,584)
Public safety	356,890	-	181,182	-	(175,708)	(175,708)	-	(175,708)
Public services	50,917	-	-	-	(50,917)	(50,917)	-	(50,917)
Culture and recreation	21	-	-	-	(21)	(21)	-	(21)
Interest on long-term debt	1,141	-	-	-	(1,141)	(1,141)	-	(1,141)
Total governmental activities	878,054	-	207,332	118,351	(552,371)	(552,371)	-	(552,371)
<b>Business-Type Activities</b>								
Water	439,885	384,637	-	-	(55,248)	-	(55,248)	(55,248)
Sewer	595,496	545,722	-	-	(49,774)	-	(49,774)	(49,774)
Sanitation	91,618	95,432	-	-	3,814	-	3,814	3,814
Gas	57,211	39,679	-	-	(17,532)	-	(17,532)	(17,532)
Total Business-Type Activities	1,184,210	1,065,470	-	-	(118,740)	-	(118,740)	(118,740)
<b>Total</b>	<b>\$ 2,062,264</b>	<b>\$ 1,065,470</b>	<b>\$ 207,332</b>	<b>\$ 118,351</b>	<b>\$ (671,111)</b>	<b>(552,371)</b>	<b>(118,740)</b>	<b>(671,111)</b>

**Net Revenues (Expenses)**

**General revenues**

Taxes	766,963	-	766,963
Licenses and permits	109,808	-	109,808
Interest income	6,230	11,573	17,803
Other income	10,304	44,631	54,935

Total general revenues 893,305 56,204 949,509

Change in net position before transfers 340,934 (62,536) 278,398

Transfers in (out) (244,636) 244,636 -

**Change in net position** 96,298 182,100 278,398

Net position, beginning of year 2,127,408 3,581,579 5,708,987

Prior period adjustment (see note 16) 1,126,282 (1,156,877) (30,595)

Net position, beginning of year, restated 3,253,690 2,424,702 5,678,392

**Net Position, end of year** \$ 3,349,988 \$ 2,606,802 \$ 5,956,790

**City of Guthrie, Kentucky**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 703,198	\$ 1,930	\$ 705,128
Receivables, net of allowance for uncollectible	112,402	-	112,402
Interfund receivables	19,936	-	19,936
Restricted assets			
Cash and cash equivalents	34,127	183,504	217,631
	<u>34,127</u>	<u>183,504</u>	<u>217,631</u>
Total assets	<u>\$ 869,663</u>	<u>\$ 185,434</u>	<u>\$ 1,055,097</u>
<b>Liabilities</b>			
Accounts payable	\$ 21,796	\$ -	\$ 21,796
Accrued interest payable	645	-	645
	<u>21,796</u>	<u>-</u>	<u>21,796</u>
Total liabilities	<u>22,441</u>	<u>-</u>	<u>22,441</u>
<b>Fund Balances</b>			
Assigned	-	1,930	1,930
Restricted	34,127	183,504	217,631
Unassigned	813,095	-	813,095
Total fund balance	<u>847,222</u>	<u>185,434</u>	<u>1,032,656</u>
Total Liabilities and Fund Balances	<u>\$ 869,663</u>	<u>\$ 185,434</u>	<u>\$ 1,055,097</u>

**City of Guthrie, Kentucky**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**June 30, 2021**

Total fund balance per fund financial statements

Amounts reported for governmental activities in the statement of net position are different because: \$ 1,032,656

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$5,153,835 and the accumulated depreciation is \$2,006,963. 3,136,872

Pension and other postemployment benefit (OPEB) related items:

Deferred outflows - OPEB	161,777
Deferred outflows - pension	305,276
Deferred inflows - OPEB	(43,875)
Deferred inflows - pension	(13,736)
Net OPEB liability	(260,801)
Net pension liability	(888,452)

Long-term liabilities, including interest payable, are not due and payable in the current period; therefore, they are not reported as liabilities in governmental funds. Long-term liabilities at year end consist of:

Notes payable	(79,729)
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Net Position of governmental activities	\$ 3,349,988
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**City of Guthrie, Kentucky**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
<b>Revenues</b>			
Taxes	\$ 766,963	\$ -	\$ 766,963
Licenses and permits	109,808	-	109,808
Intergovernmental revenue	299,533	-	299,533
Interest income	2,683	3,547	6,230
Other income	27,404	9,050	36,454
Total revenue	<u>1,206,391</u>	<u>12,597</u>	<u>1,218,988</u>
<b>Expenditures</b>			
General government	413,677	-	413,677
Public safety	404,026	-	404,026
Public services	24,750	1,589	26,339
Culture and recreation	21	-	21
Capital outlay	56,340	25,581	81,921
Debt service			
Principal retirement	14,376	-	14,376
Interest	1,449	-	1,449
Total expenditures	<u>914,639</u>	<u>27,170</u>	<u>941,809</u>
Excess (deficit) of revenues over (under) expenditures	<u>291,752</u>	<u>(14,573)</u>	<u>277,179</u>
<b>Other financing sources (uses):</b>			
Proceeds from debt issuance	49,540	-	49,540
Transfers, net	(244,636)	-	(244,636)
Total other financing sources (uses)	<u>(195,096)</u>	<u>-</u>	<u>(195,096)</u>
Net changes in fund balances	96,656	(14,573)	82,083
Fund balances, July 1, 2020 originally stated	(406,311)	230,602	(175,709)
Prior period adjustment (Note 16)	<u>1,156,877</u>	<u>(30,595)</u>	<u>1,126,282</u>
Fund Balances, July 1, 2020, restated	<u>750,566</u>	<u>200,007</u>	<u>950,573</u>
Fund balances, June 30, 2021	<u>\$ 847,222</u>	<u>\$ 185,434</u>	<u>\$ 1,032,656</u>



**City of Guthrie, Kentucky**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

Net change in fund balances - total governmental funds \$ 82,083

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	81,921
Depreciation expense	(199,252)

Bond and note proceeds are reported as financing sources in governmental funds, and thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond and note principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.

Note payments	14,376
Proceeds from long term debt	(49,540)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment reflects the net change in the liability balances during the year.

OPEB liability and related deferrals	57,552
Pension liability and related deferrals	108,205
Decrease in interest payable	<u>953</u>

Change in net position of governmental activities \$ 96,298

**City of Guthrie, Kentucky**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

<b>Assets</b>	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Gas</b>	<b>Total</b>
Cash and cash equivalents	\$ 135,129	\$ 219,509	\$ 16,393	\$ 9,184	\$ 380,215
Receivables, net of allowance for uncollectible	40,949	51,484	11,544	745	104,722
Interfund receivables	-	18,568	-	-	18,568
Restricted assets					-
Cash and cash equivalents	272,776	70,350	-	9,548	352,674
Capital assets					-
Non-depreciable	-	1,037,709	-	-	1,037,709
Depreciable, net	234,362	1,921,686	3,031	1,805,574	3,964,653
Total assets	<u>683,216</u>	<u>3,319,306</u>	<u>30,968</u>	<u>1,825,051</u>	<u>5,858,541</u>
<b>Deferred Outflows of Resources</b>					
OPEB related	49,377	44,978	-	-	94,355
Pension related	51,782	20,317	-	-	72,099
Total deferred outflows of resources	<u>101,159</u>	<u>65,295</u>	<u>-</u>	<u>-</u>	<u>166,454</u>
Total assets and deferred outflow	<u>\$ 784,375</u>	<u>\$ 3,384,601</u>	<u>\$ 30,968</u>	<u>\$ 1,825,051</u>	<u>\$ 6,024,995</u>
<b>Liabilities</b>					
Interfund payables	\$ -	\$ 19,936	\$ -	\$ 18,568	\$ 38,504
Accrued interest payable	-	14,794	-	1,378	16,172
Customer deposits	120,022	-	-	-	120,022
Long-term liabilities					
Due within one year	-	22,500	-	30,000	52,500
Due beyond one year	-	1,260,500	-	290,000	1,550,500
Interim Debt Financing		1,108,136			1,108,136
Net OPEB Liability	75,265	56,998	-	-	132,263
Net pension liability	205,974	154,484	-	-	360,458
Total liabilities	<u>401,261</u>	<u>2,637,348</u>	<u>-</u>	<u>339,946</u>	<u>3,378,555</u>
<b>Deferred Inflows of Resources</b>					
OPEB related	11,899	18,592	-	-	30,491
Pension related	3,538	5,609	-	-	9,147
Total deferred inflows of resources	<u>15,437</u>	<u>24,201</u>	<u>-</u>	<u>-</u>	<u>39,638</u>
Total liabilities and deferred inflows	<u>416,698</u>	<u>2,661,549</u>	<u>-</u>	<u>339,946</u>	<u>3,418,193</u>
<b>Net Position</b>					
Net investment in capital assets, net of related debt	234,362	568,259	3,031	1,485,574	2,291,226
Restricted for debt service and depreciation	272,776	70,350	-	9,548	352,674
Unrestricted	(139,461)	84,443	27,937	(10,017)	(37,098)
Total Net Position	<u>367,677</u>	<u>723,052</u>	<u>30,968</u>	<u>1,485,105</u>	<u>2,606,802</u>
Total liabilities, deferred inflows, and net position	<u>\$ 784,375</u>	<u>\$ 3,384,601</u>	<u>\$ 30,968</u>	<u>\$ 1,825,051</u>	<u>\$ 6,024,995</u>

**City of Guthrie, Kentucky**  
**Statement of Revenues, Expenses and Changes in Net Position, continued**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Gas</u>	<u>Total</u>
<b>Operating Revenues</b>					
Charges for services	\$ 384,637	\$ 545,722	\$ 95,432	\$ 39,679	\$ 1,065,470
Other revenue	30,631	13,079	921	-	44,631
Total operating revenues	<u>415,268</u>	<u>558,801</u>	<u>96,353</u>	<u>39,679</u>	<u>1,110,101</u>
<b>Operating expenses</b>					
Personal services	135,093	229,922	14,412	-	379,427
Cost of sales	198,551	-	69,476	-	268,027
Materials and supplies	74,332	187,984	5,488	662	268,466
Depreciation	19,464	138,792	2,242	38,752	199,250
Contractual services	12,445	-	-	-	12,445
Total operating expenses	<u>439,885</u>	<u>556,698</u>	<u>91,618</u>	<u>39,414</u>	<u>1,127,615</u>
Operating income (loss)	<u>(24,617)</u>	<u>2,103</u>	<u>4,735</u>	<u>265</u>	<u>(17,514)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	6,005	4,339	-	1,229	11,573
Interest expense	-	(38,798)	-	(17,797)	(56,595)
Total nonoperating revenues	<u>6,005</u>	<u>(34,459)</u>	<u>-</u>	<u>(16,568)</u>	<u>(45,022)</u>
Income before transfers	(18,612)	(32,356)	4,735	(16,303)	(62,536)
Transfer in (out)	<u>(13,739)</u>	<u>127,088</u>	<u>-</u>	<u>131,287</u>	<u>244,636</u>
<b>Change in Net Position</b>	<u>(32,351)</u>	<u>94,732</u>	<u>4,735</u>	<u>114,984</u>	<u>182,100</u>
Net Position, July 1, 2020 originally stated	400,028	1,785,197	26,233	1,370,121	3,581,579
Prior period adjustment (Note 16)	<u>-</u>	<u>(1,156,877)</u>	<u>-</u>	<u>-</u>	<u>(1,156,877)</u>
Net Position, July 1, 2020, restated	<u>400,028</u>	<u>628,320</u>	<u>26,233</u>	<u>1,370,121</u>	<u>2,424,702</u>
<b>Net Position, June 30, 2021</b>	<u><u>\$ 367,677</u></u>	<u><u>\$ 723,052</u></u>	<u><u>\$ 30,968</u></u>	<u><u>\$ 1,485,105</u></u>	<u><u>\$ 2,606,802</u></u>

**City of Guthrie, Kentucky**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Gas</u>	<u>Total</u>
<b>Cash flows from operating activities</b>					
Cash received from user charges	\$ 429,084	\$ 548,239	\$ 96,266	\$ 39,679	\$ 1,113,268
Cash Payments to suppliers	(285,328)	(171,474)	(75,003)	(765)	(532,570)
Payments to employees	(107,505)	(156,170)	(14,412)	-	(278,087)
<b>Net cash provided by operating activities</b>	<u>36,251</u>	<u>220,595</u>	<u>6,851</u>	<u>38,914</u>	<u>302,611</u>
<b>Cash flows from noncapital financing activities</b>					
Change in interfund receivables	-	(8,883)	-	8,883	-
Operating transfers in (out)	(13,739)	127,088	-	131,287	244,636
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(13,739)</u>	<u>118,205</u>	<u>-</u>	<u>140,170</u>	<u>244,636</u>
<b>Cash flows from capital and related financing activities</b>					
Principal payments on bonds and notes	-	(67,000)	-	(30,000)	(97,000)
Proceeds from bonds and notes	-	381,457	-	-	381,457
Interest paid on debt	-	(38,798)	-	(17,797)	(56,595)
Purchase of capital assets	-	(573,216)	-	(131,287)	(704,503)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>-</u>	<u>(297,557)</u>	<u>-</u>	<u>(179,084)</u>	<u>(476,641)</u>
<b>Cash flows from investing activities</b>					
Interest income	6,005	4,339	-	1,229	11,573
<b>Net cash provided by investing activities</b>	<u>6,005</u>	<u>4,339</u>	<u>-</u>	<u>1,229</u>	<u>11,573</u>
<b>Net increase in cash and cash equivalents</b>	28,517	45,582	6,851	1,229	82,179
<b>Cash and cash equivalents, beginning of year</b>	379,388	244,277	9,542	17,503	650,710
<b>Cash and cash equivalents, end of year</b>	407,905	289,859	16,393	18,732	732,889
<b>Less restricted cash and equivalents</b>	<u>(272,776)</u>	<u>(70,350)</u>	<u>-</u>	<u>(9,548)</u>	<u>(352,674)</u>
<b>Total cash and cash equivalents</b>	<u>\$ 135,129</u>	<u>\$ 219,509</u>	<u>\$ 16,393</u>	<u>\$ 9,184</u>	<u>\$ 380,215</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ (24,617)	\$ 2,103	\$ 4,735	\$ 265	\$ (17,514)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</b>					
Depreciation expense	19,464	138,792	2,242	38,752	199,250
Changes in assets and liabilities					
Accounts receivable	13,816	(10,562)	(87)	-	3,167
Accounts payable	-	2,827	(39)	-	2,788
Deferred pension and postemployment benefits amounts	27,588	73,752	-	-	101,340
Other current liabilities	-	13,683	-	(103)	13,580
<b>Net cash provided by operating activities</b>	<u>\$ 36,251</u>	<u>\$ 220,595</u>	<u>\$ 6,851</u>	<u>\$ 38,914</u>	<u>\$ 302,611</u>

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Guthrie, Kentucky (City) operates under a Mayor and six-member Council form of government and provides the following services to its citizens: general government, public safety, public services, community service and utility services (water, sewer, sanitation and natural gas). The City is a municipal corporation established in 1876.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided by Governmental Accounting Standards Board Codification Section 2100 have been considered, and the following entity is presented with the City.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the way governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financials statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The governmental funds are accounted for on the “flow of current financial resources” measurement focus. 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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The proprietary funds are accounted for on an “economic resources” measurement focus. Accordingly, the statement of revenues, expenses and changes in net fund position for the proprietary funds reports increases and decreases in total economic net worth.

Under the terms of the City’s grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the City applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

Governmental Funds

Governmental funds are those through which most City functions are financed. The acquisition, use and balances of the City’s expendable financial resources and the related liabilities (except those accounted for in the proprietary funds and fiduciary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the City’s governmental funds:

The *General Fund* is the general operating fund of the City and accounts for all revenues and expenditures of the City not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This fund is always classified as a major fund.

The *Special Revenue Fund* is used to account for proceeds of specific revenue resources (other than assessments, expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The revenue sources accounted for in the Special Revenue Fund are the Cemetery Fund, Municipal Road Aid and Park Fund.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 - Summary of significant accounting policies (Continued)

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as non-operating revenues and expenses.

The proprietary funds maintained by the City consist of Water, Sewer, Natural Gas, and Sanitation Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenue Recognition

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, "available" means expected to be received within 60 days after year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims of judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 - Summary of significant accounting policies (Continued)

Property Taxes

Property tax revenue - Property taxes attach as an enforceable lien on property and are levied as of January 1 each year. All unpaid taxes levied October 1 become delinquent January 1 of the following year.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$.75 per \$100 of assessed valuation for general governmental services other than school purposes. The real property tax rate for the year ended June 30, 2021 was \$.4040 per \$100. The personal property tax rate for the year ended June 30, 2021 was \$.6890 per \$100.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could differ from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. The City's certificates of deposit are reported at cost (carrying amounts), which reasonably estimates fair value.

Deposits

The City is insured under FDIC for up to \$250,000 with their bank. As security for deposits of the City, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the City in excess of FDIC coverage

Kentucky Revised Statute 66.480 permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit, savings and loan deposits and the Commonwealth of Kentucky investment pool.

Restricted Assets- Cash and Investments

Certain proceeds of the City are classified as restricted assets on the balance sheet because their use is limited by applicable covenants, grantors or outside legislation. Restricted assets consist of cash and certificates of deposit. When an expenditure arises for which both restricted and unrestricted funds are available, the City uses restricted funds first before applying unrestricted funds.

Receivables

Receivables are amounts due representing revenues earned or accrued in the current period.



City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 - Summary of significant accounting policies (Continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

Capital Assets

General capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, curbs and gutters, sidewalks and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with initial, individual costs of \$1,500 or more and are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements.

Depreciation is recorded on capital assets on a governmental-wide basis using the straight-line method and the following estimated useful lives:

Description	Governmental Activities Estimated Lives
Buildings and improvements	40 years
Office furniture and fixtures	7 years
Equipment	5-10 years
Office equipment	5-7 years
Infrastructure	30-50 years

Donated capital assets are reported at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land and construction in progress are not depreciated.

Depreciation of exhaustible capital assets used by the City proprietary funds are recorded as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statements of net position. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The City system in the proprietary funds has been recorded at cost and contributed capital asset additions have been recorded at their estimated fair market value in the year contributed as determined by the City's utility engineers.

All capital assets are reported at cost or estimated historical cost, if actual cost was not available.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 - Summary of significant accounting policies (Continued)

Accrued Liabilities and Long-term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Compensated Absences

Employees of the City are entitled to paid time off depending on their length of service. Up to 40 hours of accrued vacation time are payable at time of termination. The City has not recorded a liability for accrued compensated absences, since it is the policy of the City to recognize these costs when incurred.

Pensions and other Postemployment Benefits (OPEB)

For purposes of measuring the net liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-hazardous (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: The deferred outflows of resources relate to the net pension liability described in Note 9 and the OPEB liability described in Note 10.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category: The deferred inflows of resources relate to the net pension liability as described in Note 9 and the OPEB liability described in Note 10.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 1 - Summary of significant accounting policies (Continued)

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted - Amounts which can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed - Amounts which can be used only for specific purposes determined by the City Council's formal action through a resolution.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Council or management, The Council adopted a resolution establishing the authority to assign funds.

Unassigned - All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed, assigned and then unassigned fund balances.

Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is net position that does not meet the definition of "net investments in capital assets" or "restricted net position".

Subsequent Events

Subsequent events have been evaluated through January 18, 2024, which is the date of the financial states were available to be issued.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 2 - Cash and Cash Equivalents

The City maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, always equals or exceeds the amount of public funds on deposit.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The City does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At June 30, 2021, the carrying amount of the City's deposits was \$1,652,619, and the bank balances were \$1,711,457. Of the City's bank balances, \$250,000 was covered by federal deposit insurance, \$1,402,619 was not collateralized as required by KRS 66.480(1)(d).

Note 3 - Receivables

Receivables and due from other governments for governmental funds and proprietary funds at June 30, 2021, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Receivables			
Customer accounts	\$ -	\$ 104,722	\$ 104,722
Taxes and licenses	233,232	-	233,232
Gross receivables	<u>233,232</u>	<u>104,722</u>	<u>337,954</u>
Less: allowance for uncollectible	(120,830)	-	(120,830)
Net receivables	<u><u>\$ 112,402</u></u>	<u><u>\$ 104,722</u></u>	<u><u>\$ 217,124</u></u>

An allowance is recorded for taxes over 1 year old. The City considers all utility revenue collectable; therefore, no allowance is recorded for utility revenue.

Note 4 – Transfer of Funds

The following transfers were made during the year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 244,636
Water	-	13,739
Sewer	127,088	-
Gas	131,287	-
Total	<u><u>\$ 258,375</u></u>	<u><u>\$ 258,375</u></u>

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 5 – Leases

The City entered into a long-term lease contract with Kentucky Energy Systems, LLC (KES) for the use of the City's natural gas system on August 1, 2011. The lease was extended through June 30, 2026 with 3 additional extensions of 5 years each to be exercised in writing, at least 90 days prior June 30, 2026. The lease provides exclusive use of the gas system to KES for sale of natural gas to the citizens of the City of Guthrie. Compensation of the lease is 5% of gross sales and the payment of all bonded indebtedness (principal and interest).

The following is a schedule of future minimum lease payments:

Year	Payment
2022	\$ 46,955
2023	50,206
2024	48,316
2025	51,290
2026	49,130
Total	<u>\$ 245,897</u>

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	July 1, 2020	Additions	Transfers	Deductions	June 30, 2021
<u>Governmental Activities:</u>					
Capital assets not depreciated:					
Land	\$ 51,600	\$ -	\$ -	\$ -	\$ 51,600
Construction in progress	8,300	-	(8,300)	-	-
Totals	<u>59,900</u>	<u>-</u>	<u>(8,300)</u>	<u>-</u>	<u>51,600</u>
Capital assets being depreciated:					
Land improvements	516,436	-	8,300	-	524,736
Buildings	2,364,087	-	-	-	2,364,087
Machinery and equipment	507,012	-	-	-	507,012
Vehicles	351,010	56,340	-	-	407,350
Infrastructure	1,263,469	25,581	-	-	1,289,050
Total depreciable assets	<u>5,002,014</u>	<u>81,921</u>	<u>8,300</u>	<u>-</u>	<u>5,092,235</u>
Less accumulated depreciation:					
Land improvements	131,965	24,578	-	-	156,543
Buildings	415,957	57,411	-	-	473,368
Machinery and equipment	414,376	17,719	-	-	432,095
Vehicles	260,265	35,742	-	-	296,007
Infrastructure	585,148	63,802	-	-	648,950
Totals	<u>1,807,711</u>	<u>199,252</u>	<u>-</u>	<u>-</u>	<u>2,006,963</u>
Depreciable capital assets, net	<u>3,194,303</u>	<u>(117,331)</u>	<u>8,300</u>	<u>-</u>	<u>3,085,272</u>
Total capital assets, net	<u>\$ 3,254,203</u>	<u>\$ (117,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,136,872</u>
<u>Business-type Activities:</u>					
Capital assets not depreciated:					
Land	\$ 871	\$ -	\$ -	\$ -	\$ 871
Construction in progress	1,916,794	496,534	(1,376,490)	-	1,036,838
Totals	<u>1,917,665</u>	<u>496,534</u>	<u>(1,376,490)</u>	<u>-</u>	<u>1,037,709</u>
Capital assets being depreciated:					
Vehicles	65,791	39,300	-	-	105,091
Buildings and improvements	1,425,206	-	-	-	1,425,206
Machinery & equipment	514,314	35,357	-	-	549,671
Infrastructure	5,692,817	133,312	1,376,490	-	7,202,619
Totals	<u>7,698,128</u>	<u>207,969</u>	<u>1,376,490</u>	<u>-</u>	<u>9,282,587</u>
Less accumulated depreciation:					
Vehicles	48,884	10,733	-	-	59,617
Buildings and improvements	839,271	34,885	-	-	874,156
Machinery and equipment	446,904	23,427	-	-	470,331
Infrastructure	3,783,627	130,204	-	-	3,913,831
Totals	<u>5,118,686</u>	<u>199,250</u>	<u>-</u>	<u>-</u>	<u>5,317,935</u>
Depreciable capital assets, net	<u>2,579,442</u>	<u>8,719</u>	<u>-</u>	<u>-</u>	<u>3,964,652</u>
Total capital assets, net	<u>\$ 4,497,107</u>	<u>\$ 505,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,002,362</u>

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 6 – Capital Assets (Continued)

Depreciation expense was charged to functions of the City as follows:

<u>Governmental Activities</u>	
General fund	\$ 138,932
Public safety	35,742
Public services	24,578
Total depreciation expense	<u>\$ 199,252</u>
<u>Business-type Activities</u>	
Water	\$ 19,463
Sewer	138,792
Sanitation	2,242
Gas	38,752
Total depreciation expense	<u>\$ 199,250</u>

Note 7 – Long-Term Debt

The various issues of notes payable and revenue bonds for both governmental and business-type activities are as follows:

	<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Maturity Date</u>
<b>Governmental Activities:</b>				
USDA note payable	2017	\$ 72,000	3.25%	11/02/22
Elkton Bank & Trust note payable	2021	49,540	3.25%	07/05/28
<b>Business-type activities:</b>				
KIA note payable	2018	1,163,825	0.50%	06/01/51
KADD note payable	2005	655,000	4.50-5.35%	12/01/28
Revenue bonds series 2000	2000	390,000	5.40-6.00%	08/01/20
Revenue bonds series 2014	2014	775,000	2.125%	07/01/54
Revenue bonds series 2019	2019	583,000	2.375%	01/01/59

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

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 7 –Long-Term Debt (Continued)

<u>Governmental Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Current</u>
USDA note payable	\$ 44,565	\$ -	\$ 14,376	\$ 30,189	\$ 14,853
Elkton Bank & Trust note payable	-	49,540	-	49,540	-
 Total governmental activities	 <u>\$ 44,565</u>	 <u>\$ 49,540</u>	 <u>\$ 14,376</u>	 <u>\$ 79,729</u>	 <u>\$ 14,853</u>
 <u>Business-type activities</u>	 <u>Balance July 1, 2020</u>	 <u>Additions</u>	 <u>Reductions</u>	 <u>Balance June 30, 2021</u>	 <u>Current</u>
Natural Gas					
KADD capital outlay note	\$ 350,000	\$ -	\$ 30,000	\$ 320,000	\$ 30,000
 Sewer System					
Interim Debt - KIA note payable	726,679	381,457	-	1,108,136	-
Revenue bonds series 2000	45,000	-	45,000	-	-
Revenue bonds series 2014	722,000	-	14,000	708,000	14,500
Revenue bonds series 2019	583,000	-	8,000	575,000	8,000
 Total Sewer System	 <u>2,076,679</u>	 <u>381,457</u>	 <u>67,000</u>	 <u>2,391,136</u>	 <u>22,500</u>
 Total business-type activities	 <u>\$ 2,426,679</u>	 <u>\$ 381,457</u>	 <u>\$ 97,000</u>	 <u>\$ 2,711,136</u>	 <u>\$ 52,500</u>



City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 7 –Long-Term Debt (Continued)

<u>Governmental activities debt consists of the following obligations</u>	<u>Balance</u>
\$72,000 USDA due in 5 annual installments through November 2022, at an interest rate of 3.25%	\$ 30,189
\$49,540 Elkton Bank due in 7 annual installments through July 2028, at an interest rate of 3.25%	49,540
Total governmental activities long-term debt	79,729
Less: current portion	(14,853)
Net governmental activities long-term debt	<u>\$ 64,876</u>
<u>Business activities debt consists of the following obligations</u>	<u>Balance</u>
\$583,000 Series 2019 revenue bonds - USDA due in annual installments of \$8,000 to \$27,000 through January 2059 at an interest rate of 2.375%. Principal payments to begin January 1, 2021	\$ 575,000
\$390,000 Series 2000 revenue bonds - Bank of New York Mellon due in annual installments of \$20,000 to \$45,000 through August 2020 at an interest rate of 5.40% to 6.00%. Paid in full in 2021.	-
\$775,000 Series 2014 revenue bonds - USDA due in annual installments of \$13,000 to \$30,000 through July 2055 at an interest rate of 2.125%	708,000
\$655,000 KADD capital outlay note - Bank of New York Mellon due in annual installments of \$20,000 to \$50,000 through December 2028 at an interest rate of 4.50% to 5.35%	320,000
Total business activities long-term debt	1,603,000
Less: current portion	(52,500)
Net business activities long-term debt	<u>\$ 1,550,500</u>

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 7 –Long-Term Debt (Continued)

Utility plant assets and net revenues are pledged as collateral for the respective bond issues and debt. Bond issues outstanding also require a combined debt service fund, for debt service and gas departments, sufficient to pay the maximum debt service in the sewer and gas utility due during any given year. The debt service is covered by restricted cash and fully funded. Outstanding governmental notes are secured by the full faith and credit and taxing powers of the City.

The following is a condensed schedule of maturities for long-term debt obligations as of June 30, 2021.

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 14,853	\$ 981	\$ 52,500	\$ 45,024	\$ 121,435
2023	21,566	2,345	57,500	42,787	124,198
2024	6,669	1,408	59,000	40,402	107,479
2025	6,886	1,191	64,500	37,853	110,430
2026	7,110	967	65,000	35,163	108,240
2027-2031	22,646	1,484	275,000	135,870	426,923
2032-2036	-	-	153,000	108,476	261,476
2037-2041	-	-	176,500	90,499	266,999
2042-2046	-	-	199,500	70,032	269,532
2047-2051	-	-	229,000	46,921	275,921
2052-2056	-	-	196,500	21,067	217,567
2057-2059	-	-	75,000	3,634	78,634
<b>Total</b>	<b>\$ 79,729</b>	<b>\$ 8,376</b>	<b>\$ 1,603,000</b>	<b>\$ 677,727</b>	<b>\$ 2,368,832</b>

Interim Debt Financing

On June 1, 2018, the City entered into an agreement with the Kentucky Infrastructure Authority for a sewer and water improvements project. The sewer portion of the project will include a Sewer System Evaluation Survey (SSES) and the repairs identified by the SSES. The water portion of the project will rehabilitate the elevated water storage tank, replace waterlines, add/replace valves and replace fire hydrants. The total amount of the loan is \$1,163,825 with a term of 30 years. Interest payments of 0.50% will commence within six months from the first draw of funds. Full principal and interest payments shall commence on June 1 or December 1 immediately succeeding the date of the last draw of funds. At June 30, 2021, \$1,108,136 in draws had been made.

Government Activities – Fire Truck Loan

On May 14 2021, the City entered into an agreement with Elkton Bank & Trust Company for a 1999 International Pumper Fire truck. The total amount of the loan is \$49,540 with a term of 6 years. There will be 7 principal payments of \$8,077. that will begin on July 5,2022. The interest rate will be determined using the most recent Index figure available as of 45 days before the scheduled payment. At June 30, 2021, no payments had been made.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 8 – Fund Balance Reporting

The following is a summary of designations of fund balances at June 30, 2021:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Municipal Road Aid	\$ -	\$ 3,154	\$ 3,154
Cemetery	-	180,350	180,350
Fire	25,386	-	25,386
Veterians Memorial	3,092	-	3,092
Police	5,648	-	5,648
Assigned:			
Park	-	1,930	1,930
Unassigned	813,096	-	813,096
Total fund balances	\$ 847,222	\$ 185,434	\$ 1,032,656

Note 9 – Pension Plan

General Information and the County Employees Retirement System (CERS) Pension Plan

Plan description – The City contributes to the Non-hazardous and Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city and school board and any additional eligible local agencies electing to participate in the plan. The CERS pension plan has two categories: Non-hazardous for general employees and Hazardous for police and fire employees. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Benefits provided – CERS provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5.00% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 9 – Pension Plan (Continued)

Non-Hazardous

Tier 1	Participation date Unreduced retirement Reduced retirement  Required contributions	Before September 1, 2008 27 years' service of 65 years old with 4 years' service At least 5 years' service and 55 years old At least 25 years' service and any age 5.00%
Tier 2	Participation date Unreduced retirement  Reduced retirement Required contributions	September 1, 2008 - December 31, 2013 At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years' service and 60 years old 5.00% + 1.00% for insurance
Tier 3	Participation date Unreduced retirement  Reduced retirement Required contributions	After December 31, 2013 At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available 5.00% + 1.00% for insurance

Contributions – Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contributions and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2021, participating employers contributed 24.06%, of each employee's creditable compensation, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

At June 30, 2021, the City reported a liability for its proportionate share of net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City was as follows:

City's non-hazardous proportionate share of the CERS net pension liability	<u>\$ 1,248,910</u>
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The net pension liability for each plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the City's non-hazardous proportion was 0.016283%.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 9 – Pension Plan (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$296,241 for non-hazardous related to CERS pension plans.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,143	\$ -
Change in assumptions	48,767	-
Net difference between projected and actual earnings on pension plan investments	54,135	22,883
Changes in proportion and difference between City contributions and proportionate share of contributions	156,642	-
City contributions subsequent to the measurement date	86,688	-
Total	\$ 377,375	\$ 22,883

The amount of \$86,688 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ended June 30	
2021	\$ 142,931
2022	91,339
2023	20,982
2024	12,551
2025	-
Thereafter	-
	\$ 267,803

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 9 – Pension Plan (Continued)

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan’s fiscal year ending June 30, 2020, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2020, which were used to determine the total pension liability as follows:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage 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%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Long-term expected rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 9 – Pension Plan (Continued)

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

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S. Equity	4.50%	18.75%
Non-U.S. Equity	5.25%	18.75%
Core Bonds	-0.25%	13.50%
Specialty Credit/ High Yield	3.90%	15.00%
Real Estate	5.30%	5.00%
Opportunistic Return	2.25%	3.00%
Real Return	3.95%	15.00%
Private Equity	6.65%	10.00%
Cash	-0.75%	1.00%
		100.00%

Discount rate – The discount rate used to measure the total pension liability for the measurement periods with year ended June 30, 2020 was 6.25% for both hazardous and non-hazardous. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determinations do not use a municipal bond rate. The actuarial determined contribution rate is adjusted to reflect the phase-in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate – The following table presents the City's proportionate share of net pension liability, calculated using the discount rates selected by the pension system, 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 or 1-percentage-point higher than the current rate.

	Discount Rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 1,540,156
Current discount rate	6.25%	\$ 1,248,910
1% increase	7.25%	\$ 1,007,715

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 9 – Pension Plan (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of CERS.

Payable to the pension plan – At June 30, 2021, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan description – County employees Retirement System consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate. The City participates in the Non-hazardous and Hazardous plans. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Benefits provided – The KRS’ Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide healthcare benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions – Employers participating in the CERS Insurance Fund contribute a percentage of each employee’s creditable compensation. The actuarially determined rates set by the KRS board are a percentage of each employee’s creditable compensation. For the year ended June 30, 2021, required contributions were 4.76% of each employee’s covered payroll. Contributions from the City to the CERS Insurance Fund for the year ended June 30, 2021 were \$21,380. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 and Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

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 healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare 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.



City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

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

At June 30, 2021, the City reported a liability of \$393,064 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2021, the City's proportion for the non-hazardous system was 0.016278%.

The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City was as follows:

City's non-hazardous proportionate share of net OPEB liability	<u>\$ 393,064</u>
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For the year ended June 30, 2021, the City recognized OPEB expense of \$70,971 for non-hazardous. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,673	\$ 65,724
Changes in assumptions	68,370	416
Net difference between projected and actual earnings on pension plan investments	21,085	8,020
Changes in proportion and differences between City contributions and proportionate share of contributions	69,977	206
City contributions subsequent to the measurement date	21,380	-
Implicit Subsidy	9,647	-
	<u>\$ 256,132</u>	<u>\$ 74,366</u>

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

The total amount of \$21,380 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	
2022	\$ 39,283
2023	43,149
2024	35,705
2025	31,706
2026	896
Thereafter	-
	<u>\$ 150,739</u>

Actuarial assumptions – The total OPEB liability actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage 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 Rate	
Pre--65	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post – 65	Initial trends starting at 5.00% and gradually decreasing to an ultimate Trend rate of 4.05% over a period of 10 years.

The mortality table for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality table projected with Scale BB to 2013 (male mortality rates are set back four years) is used for the period after disability retirement.

Long-term expected rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

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

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S. Equity	4.50%	18.75%
Non-U.S. Equity	5.25%	18.75%
Core Bonds	-0.25%	13.50%
Specialty Credit/ High Yield	3.90%	15.00%
Real Estate	5.30%	5.00%
Opportunistic Return	2.25%	3.00%
Real Return	3.95%	15.00%
Private Equity	6.65%	10.00%
Cash	-0.75%	1.00%
		<u>100.00%</u>

Discount rate – The discount rates used to measure the total OPEB liability for the year ended June 30, 2020 were 5.34% for non-hazardous, assuming that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The single discount rates based on the expected rate of return on the OPEB plan investments for the year ended June 30, 2020 were 6.25% and 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 System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

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

	Discount Rate	City's proportionate share of net OPEB liability
1% decrease	4.34%	\$ 504,972
Current discount rate	5.34%	\$ 393,064
1% increase	6.34%	\$ 301,151

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

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

Healthcare Cost Trend Rate	City’s proportionate share of net OPEB liability
1% decrease	\$ 304,330
Current healthcare rate	\$ 393,064
1% increase	\$ 500,745

Payable to the OPEB plan – At June 30, 2021, the City reported a payable of \$-0- for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

Note 11 – Risk Management and Litigation

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City carries commercial insurance for these types of loss, including workers' compensation.

Note 12 – Commitments and Contingencies

On April 26, 2018, the City entered into an Interlocal Cooperation Agreement with Todd County, Kentucky in which they determined it necessary and desirable to finance a grant and/or the purchase of real property for transfer to Novelis Corporation in order to encourage, promote and support economic development within the area. The City’s liability regarding this agreement is to send all revenues received from Novelis Corporation’s occupational licenses, payroll taxes and property taxes to Todd County until they match the portion Todd County paid for the purchase of land.

On November 12, 2019, the City entered into an Interlocal Cooperation Agreement with Todd County, Kentucky, the City of Elkton, Kentucky and the City of Trenton, Kentucky in which it was determined that within Todd County and the surrounding communities there was greater need for fire protection and the purchase of a fire ladder truck was necessary. Todd County purchased and maintains ownership of a 1992 Spartan KTI 104 ladder truck. Todd County will be responsible for insurance, maintenance, and fuel costs of the ladder truck. The City will station the vehicle at the Guthrie Fire Department and serve as the primary source for drivers for emergency response. The City of Elkton will provide a certified engine and personnel support to fire responses as needed. The City of Trenton will provide personnel support to fire responses as needed.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 13 – Adoption of New Accounting Pronouncements

As of June 30, 2021, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City in the future are as follows:

In June, 2017, the GASB issued Statement 87, Leases. GASB 87 was issued to increase 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. The provisions of this statement were scheduled to take effect for the City's financial statements for the fiscal year ending June 30, 2021; however, this statement was postponed for eighteen months and will now be effective for the fiscal year ending June 30, 2022.

In June, 2018, the GASB issued statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period. GASB 89 requires that interest costs 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. The provisions of this statement were scheduled to take effect for the City's financial statements for the fiscal year ending June 30, 2021; however, this statement is now postponed to the fiscal year ending June 30, 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, issued May 2020, will be effective for the City beginning will its fiscal year ending June 30, 2023. This Statements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets-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.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

Note 14 – Subsequent Events

The City has the following subsequent events:

In fiscal year 2022, the City received a total of \$192,865 in funds related to COVID-19 relief.

In February 2022, the City was awarded a grant in the amount of \$387,800 from Delta Regional Authority to extend sewer and gas lines.

The City had interim debt financing with KIA to finance the expansion of the utility services to a customer. The project was completed in August 2022, the final bond was for \$1,163,825. Payments are due twice a year, December 1<sup>st</sup> and June 1<sup>st</sup>, both including principal and interest. The interest rate is set at 0.50% for the 30-year period of payments. The city is also required to put \$2,900 into a repair and maintenance reserve during the December payment until the account reaches \$58,000. Payments started on December 1<sup>st</sup> 2021.

Note 15 – Interfund Receivables and Payables

The following interfund receivables and payables were present at June 30, 2021:

- There was an interfund receivable in the General Fund for liability insurance with an offsetting interfund payable in the Sewer Fund of \$19,936 at June 30, 2020.
- There was an interfund receivable in the Sewer Fund with an offsetting interfund payable in the Gas Fund of \$18,568 for interest expense paid on the BYN Mellon KADD bond by the Sewer Fund on behalf of the Gas Fund.

City of Guthrie, Kentucky  
Notes to Financial Statements  
June 30, 2021

Note 16 – Prior Period Adjustments

There were prior year adjustments of \$1,156,877 to restate the beginning balance of fund balance in the General fund and the net position of the Sewer fund. There was also a prior year adjustment of \$30,595 to restate the beginning balance of the municipal road aid fund. As a result, the City restated the July 1, 2020 fund balance and net position as outlined below.

Governmental Activities	June 30, 2020 Balance As Originally Reported	Impact of Restatement	June 30, 2020 Balance As Restated
<u>Accounts</u>	<u>Reported</u>	<u>Restatement</u>	<u>Restated</u>
Due to sewer department	\$ 1,156,877	\$ (1,156,877)	\$ -
Fund balance - general fund	(406,311)	1,156,877	750,566
Municipal road aid receivable	30,595	(30,595)	-
Municipal road aid fund balance	35,039	(30,595)	4,444
Net poition - governmental activities	2,127,408	1,126,282	3,253,690
Business-type Activities	June 30, 2020 Balance As Originally Reported	Impact of Restatement	June 30, 2020 Balance As Restated
<u>Accounts</u>	<u>Reported</u>	<u>Restatement</u>	<u>Restated</u>
Due from general fund	\$ 1,156,877	\$ (1,156,877)	\$ -
Net position	3,581,579	(1,156,877)	2,424,702

**REQUIRED SUPPLEMENTAL INFORMATION**

**City of Guthrie, Kentucky**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgeted and Actual - General Fund**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 604,300	\$ 604,300	\$ 766,963	\$ 162,663
Licenses and permits	156,800	156,800	109,808	(46,992)
Intergovernmental revenue	50,736	50,736	299,533	248,797
Interest Income	155	155	2,683	2,528
Other Income	1,950	1,950	27,404	25,454
	<u>813,941</u>	<u>813,941</u>	<u>1,206,391</u>	<u>392,450</u>
<b>Expenditures</b>				
Current				
General government	436,814	436,814	413,677	23,137
Public safety	558,830	558,830	404,026	154,804
Public services	23,900	23,900	24,750	(850)
Culture and recreation	21,985	21,985	21	21,964
Capital outlay	20,000	20,000	56,340	(36,340)
Debt Service				
Principal retirement	16,000	16,000	14,376	1,624
Interest	-	-	1,449	(1,449)
	<u>1,077,529</u>	<u>1,077,529</u>	<u>914,639</u>	<u>162,890</u>
Excess (deficit) of revenues over (under) expenditures	<u>(263,588)</u>	<u>(263,588)</u>	<u>291,752</u>	<u>555,340</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issuance	-	-	49,540	(49,540)
Transfers, net	-	-	(244,636)	244,636
	<u>-</u>	<u>-</u>	<u>(195,096)</u>	<u>195,096</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(195,096)</u>	<u>195,096</u>
Net changes in fund balance	<u>(263,588)</u>	<u>(263,588)</u>	<u>96,656</u>	<u>799,976</u>
Fund balance, July 1, 2021 originally stated	(175,709)	(175,709)	(406,311)	-
Prior period adjustment (Note 16)	-	-	1,156,877	1,156,877
Fund balance, July 1, 2021, restated	<u>(175,709)</u>	<u>(175,709)</u>	<u>750,566</u>	<u>1,156,877</u>
<b>Fund balance, end of year</b>	<u><u>\$ (439,297)</u></u>	<u><u>\$ (439,297)</u></u>	<u><u>\$ 847,222</u></u>	<u><u>\$ 1,956,853</u></u>



**City of Guthrie, Kentucky**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2021**

Note 1 – Budgeting and Budgetary Control

Kentucky Revised Statutes require the City to prepare and adopt a balanced budget annually for each governmental fund. The City Council must approve such operating budgets within thirty (30) days prior to the beginning of the fiscal year. The budget is adopted by ordinance and may be amended by ordinance.

Note 2 – Budgetary Basis of Accounting

The City's Budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major difference between the budgetary basis and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between budgetary accounting method and GAAP are not material.

Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2021, the following departments incurred expenditures in excess of budgeted amounts:

Public services	\$850
Capital outlay	\$36,340

**City of Guthrie, Kentucky**  
**Schedule of Proportionate Share of Net Pension Liability**  
**County Employees' Retirement System (CERS)**  
**Last Seven Years**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Non-hazardous</b>							
City's proportion of net pension liability	0.016283%	0.014240%	0.011738%	0.010206%	0.010170%	0.008662%	0.007786%
City's proportionate share of net pension liability	\$ 1,248,910	\$ 1,001,506	\$ 714,880	\$ 597,389	\$ 500,974	\$ 372,421	\$ 286,000
City's covered-employee payroll	\$ 483,297	\$ 359,184	\$ 292,951	\$ 248,404	\$ 242,724	\$ 202,095	\$ 182,437
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	258.41%	278.83%	244.03%	240.49%	206.40%	184.28%	156.77%
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
<b>Hazardous</b>							
City's proportion of net pension liability	0.000000%	0.003129%	0.009829%	0.017295%	0.018260%	0.023195%	0.246240%
City's proportionate share of net pension liability	\$ -	\$ 86,432	\$ 239,234	\$ 386,937	\$ 313,402	\$ 356,069	\$ 330,000
City's covered-employee payroll	\$ -	\$ 17,820	\$ 55,156	\$ 97,286	\$ 94,894	\$ 118,646	\$ 138,304
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	485.03%	433.74%	397.73%	330.27%	300.11%	238.60%
Plan fiduciary net position as a percentage of total pension liability	0.00%	46.63%	49.26%	49.80%	53.95%	57.52%	63.45%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Amounts presented for each fiscal year were determined as of the City's measurement date, which is prior year end.

**City of Guthrie, Kentucky**  
**Schedule of Required Contributions**  
**County Employees' Retirement System (CERS)**  
**Last Seven Years**

<u>For the year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Non-hazardous</b>							
Contractually required contribution	\$ 93,276	\$ 80,499	\$ 58,260	\$ 42,419	\$ 46,402	\$ 41,409	\$ 35,710
Contributions in relation to the contractually required contribution	<u>(93,276)</u>	<u>(80,499)</u>	<u>(58,260)</u>	<u>(42,419)</u>	<u>(46,402)</u>	<u>(41,409)</u>	<u>(35,710)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 483,297	\$ 417,091	\$ 359,184	\$ 292,951	\$ 248,404	\$ 242,724	\$ 202,095
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	18.66%	17.06%	17.68%
<b>Hazardous</b>							
Contractually required contribution	\$ -	\$ -	\$ 4,430	\$ 12,245	\$ 30,218	\$ 31,287	\$ 40,707
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>(4,430)</u>	<u>(12,245)</u>	<u>(30,218)</u>	<u>(31,287)</u>	<u>(40,707)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ 17,820	\$ 55,156	\$ 97,286	\$ 94,894	\$ 118,646
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	24.86%	22.20%	31.06%	32.95%	35.73%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

**City of Guthrie, Kentucky**  
**Schedule of Proportionate Share of Net OPEB Liability**  
**County Employees' Retirement System (CERS)**  
**Last Four Years**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Non-hazardous</b>				
City's proportion of net OPEB liability	0.016278%	0.014236%	0.011737%	0.010206%
City's proportionate share of net OPEB liability	\$ 393,064	\$ 239,443	\$ 208,388	\$ 205,176
City's covered-employee payroll	\$ 483,297	\$ 359,184	\$ 292,951	\$ 248,404
City's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	122.96%	150.01%	140.58%	121.07%
Plan fiduciary net position as a percentage of total OPEB liability	51.70%	60.44%	57.62%	52.40%
<b>Hazardous</b>				
City's proportion of net OPEB liability	0.000000%	0.003128%	0.009902%	0.017295%
City's proportionate share of net OPEB liability	\$ -	\$ 23,143	\$ 70,597	\$ 142,973
City's covered-employee payroll	\$ -	\$ 17,820	\$ 55,156	\$ 97,286
City's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	0.00%	77.00%	78.13%	68.05%
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	64.44%	64.24%	59.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Amounts presented for each fiscal year were determined as of the City's measurement date, which is prior year end

**City of Guthrie, Kentucky**  
**Schedule of Required OPEB Contributions**  
**County Employees' Retirement System (CERS)**  
**Last Four Years**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Non-hazardous</b>				
Contractually required contribution	\$ 23,005	\$ 19,854	\$ 18,893	\$ 13,733
Contributions in relation to the contractually required contribution	<u>\$ (23,005)</u>	<u>\$ (19,854)</u>	<u>\$ (18,893)</u>	<u>\$ (13,733)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 483,297	\$ 417,091	\$ 359,184	\$ 292,951
Contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	4.69%
<b>Hazardous</b>				
Contractually required contribution	\$ -	\$ -	\$ 1,867	\$ 5,145
Contributions in relation to the contractually required contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,867)</u>	<u>\$ (5,145)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ 17,820	\$ 55,156
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	10.48%	9.35%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

## **SUPPLEMENTAL INFORMATION**

**City of Guthrie, Kentucky  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	<u>Cemetery</u>	<u>Municipal Road</u>	<u>Park</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 1,930	\$ 1,930
Restricted assets				
Cash and cash equivalents	<u>180,350</u>	<u>3,154</u>	<u>-</u>	<u>183,504</u>
Total Assets	<u>\$ 180,350</u>	<u>\$ 3,154</u>	<u>\$ 1,930</u>	<u>\$ 185,434</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Assigned	-	-	1,930	1,930
Restricted	180,350	3,154	-	183,504
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>180,350</u>	<u>3,154</u>	<u>1,930</u>	<u>185,434</u>
Total Liabilities and Fund Balance	<u>\$ 180,350</u>	<u>\$ 3,154</u>	<u>\$ 1,930</u>	<u>\$ 185,434</u>

**City of Guthrie, Kentucky**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	<u>Cemetery</u>	<u>Municipal Road</u>	<u>Park</u>	<u>Total Nonmajor</u>
<b>Revenues</b>				
Interest income	\$ 3,547	\$ -	\$ -	\$ 3,547
Other income	6,300	-	2,750	9,050
Total revenues	<u>9,847</u>	<u>-</u>	<u>2,750</u>	<u>12,597</u>
<b>Expenditures</b>				
Current				
Public services	10	1,290	289	1,589
Capital outlay	-	-	25,581	25,581
Total expenditures	<u>10</u>	<u>1,290</u>	<u>25,870</u>	<u>27,170</u>
Excess (deficit) of revenues over (under) expenditures	<u>9,837</u>	<u>(1,290)</u>	<u>(23,120)</u>	<u>(14,573)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	9,837	(1,290)	(23,120)	(14,573)
Fund balance, July 1, 2021 originally stated	170,513	35,039	25,050	230,602
Prior period adjustment (Note 16)	-	(30,595)	-	(30,595)
Fund balance, July 1, 2021, restated	<u>170,513</u>	<u>4,444</u>	<u>25,050</u>	<u>200,007</u>
<b>Fund balance, end of year</b>	<u><u>\$ 180,350</u></u>	<u><u>\$ 3,154</u></u>	<u><u>\$ 1,930</u></u>	<u><u>\$ 185,434</u></u>



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

To the Mayor and City Council  
City of Guthrie, 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 Guthrie, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Guthrie, Kentucky's basic financial statements and have issued our report thereon dated January 18, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-01 through 2021-08, that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are describe in the accompanying Schedule of Findings and Responses as items 2021-09.

## **City of Guthrie, Kentucky's Response to Findings**

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

### **Purpose of this Report**

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

*Baldwin CPAs, PLLC*

Baldwin CPAs, PLLC  
Richmond, Kentucky  
January 18, 2024

City of Guthrie, Kentucky  
Schedule of Findings and Responses  
June 30, 2021

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

**Finding: 2021-1**

*Condition:* Bank reconciliations for all accounts need to be completed on a monthly basis.

*Criteria:* Bank reconciliations should be completed on a monthly basis and the reconciled balances should match the balance per the general ledger.

*Cause:* The City has nearly forty separate bank accounts (checking, savings or certificate of deposit). During our audit we identified multiple bank accounts that were not properly reconciled on a monthly basis.

*Effect:* The lack of accurate monthly bank reconciliations could increase the likelihood of errors and/or misstatements.

*Recommendation:* Bank reconciliations should be completed on a monthly basis. The bank statements and the monthly bank reconciliations should be reviewed by an individual in management who is not involved with the bank reconciliation process on a monthly basis. Management should consider if it necessary to maintain nearly forty separate bank accounts. Management should consider if consolidating some of the accounts would be more effective and efficient.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding: 2021-2**

*Condition:* Accounting duties need to be segregated among the accounting department to improve internal controls. Due to the limited number of personnel employed by the City, the same individual regularly performs several functions, which ideally should be performed by different individuals. Such functions include issuing checks, handling cash receipts, processing customer accounts receivable, recording transactions and reconciliations.

*Criteria:* Segregation of duties is critical to effective internal control as it reduces the risk of both erroneous and inappropriate actions. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

*Cause:* During our audit and understanding of the City's internal controls, we noted that certain accounting functions are not properly segregated to provide optimal internal control.

*Effect:* The lack of proper segregation of duties could increase the risk of fraud.

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**Recommendation:** Adequate segregation of duties means that at least two individuals are involved with every fiscal transaction to ensure it is accurate and proper. Ideally, there should be at least two individuals involved with every fiscal transaction before it occurs to ensure adequate review for accuracy and to reduce the risk of impropriety. Segregation of duties is considered as being a preventive control because it prevents an event from occurring, rather than discovering an error after-the-act.

**Response:** Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding: 2021-3**

**Condition:** The City does not prepare financial statements in accordance with Generally Accepted Accounting Principles.

**Criteria:** As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

**Cause:** The City's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with Generally Accepted Accounting Principles. Numerous material audit adjustments were necessary to prepare the financial statements in conformity with generally accepted accounting principles.

**Effect:** The City was unable to prepare or review their financial statements and related note disclosures in accordance with Generally Accepted Accounting Principles. Without proper internal resources and procedures to ensure that the financial statements are prepared in accordance with general accepted accounting principles, the risk of material misstatement is increased.

Management engaged the auditor year end closing entries and to assist with prepare draft financials statements, including the related notes to the financial statements. The audit firm had to make 84 separate adjusting journal entries to bring the City's books into compliance with the standards. The Management reviewed, approved and accepted responsibility for the financial statements prior to issuance

**Recommendation:** The City's internal financial statements that are prepared by Management are not required to be prepared in accordance generally accepted accounting principles (GAAP). The City maintains int internal records on the cash basis of accounting; GAAP requires the actual method of accounting. The City's financial statements that are submitted for external audit are required to be prepared accordance with GAAP. Currently the City has limited resources to review their financial statements and related note disclosures in relation to GAAP to provide reasonable assurance that reliable financial reporting will be achieved. Management must be intentional

City of Guthrie, Kentucky  
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is its plan to prepare financial statements that are in accordance with GAAP. The following includes suggestions to strengthen internal controls over financial reporting:

- Knowledgeable personnel monitor changes in authoritative guidance and make the appropriate changes to the entity's accounting policies and procedures on a timely basis. In addition, obtain annual training and updates on governmental financial reporting issues.
- An independent review of significant judgments and estimates included in the financial records is performed at the end of every accounting period by knowledgeable personnel. An independent review of the financial statements and all related disclosures is performed by management and/or other suitably qualified personnel for completeness, consistency, and compliance with GAAP and the entity's accounting and disclosure policies. This independent review can include discussion with external auditor prior to start of annual financial statement audit.
- Up-to-date disclosure checklists are used to ensure that all relevant financial information is disclosed in the appropriate accounting period in accordance with GAAP and the entity's accounting and disclosure policies.
- For each financial statement disclosure, a supporting analysis is prepared and documented in accordance with relevant GAAP and the entity's accounting and disclosure policies.
- All financial statements and related disclosures are approved by management prior to the release of the reports to third parties.
- Consider allocating additional resources to the financial reporting department and processes. This will allow the City to expand its capabilities to perform required functions to improve internal controls and maintain accurate financial records in accordance with the standards.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding: 2021-4**

*Condition:* Interfund transfers between funds were not reconciled and did not balance at year-end.

*Criteria:* Interfund transfers between funds should be reconciled and balanced on a monthly basis.

*Cause:* The City records several interfund transfers between funds throughout the year. We noted the City does not maintain proper documentation to support interfund transfers. In addition, interfund transfers are not reconciled and thus did not balance as year-end. We noted several instances in which interfund transfers were incorrectly recorded as fund operating revenue or operating expense which distorting the financial reporting.

*Effect:* The lack of an interfund transfer reconciliation process increases the likelihood of errors and/or misstatements.

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*Recommendation:* Maintain and file documentation to support all interfund transfers between funds. The file should include documentation to support the amounts recorded, the general ledger accounts used, the purpose, who prepared and who reviewed. Each month and at year-end, interfund transfers should be reconciled to ensure they balance.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding: 2021-5**

*Condition:* Beginning fund balance per the general ledger did not agree with and was not reconciled to the ending fund balance per the prior year audited financial statements.

*Criteria:* Beginning fund balance per the general ledger should agree with or be reconciled to the ending fund balance per the prior year audited financial statements.

*Cause:* Beginning fund balance per the general ledger did not agree with the ending fund balance per the prior year audited financial statements because the adjusting journal entries from the FY 2020 audit were never posted to the general ledger.

*Effect:* The lack of a fund balance reconciliation process increases the likelihood of errors and/or misstatements.

*Recommendation:* Beginning fund balance for each fund should be reconciled to the prior year audited financial statements.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding 2021-06**

*Condition:* The City does not reconcile the tax and license fee revenue reports to the general-ledger and does not review their large taxpayers to ensure receipt of payment.

*Criteria:* As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

*Cause:* The City's limited internal resources prevent the reconciliation of the tax and license fee revenue receipt reports to the general ledger on a regular basis and

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prevent an analysis of the City's largest taxpayers in order to detect errors and non-payments.

*Effect:* The City's tax and license fee revenue reports were not reconciled to the general ledger for Fiscal Year 2021. Our audit procedures several misstatements related to tax and license fee revenue which required adjusting journal entries to correct.

*Recommendation:* The City should work to reconcile the tax and license fee revenue reports to the general ledger to ensure all revenue is recorded in the general ledger. The City should also review on a regular basis the top ten to fifteen largest taxpayers to ensure their returns are filed properly and that all tax monies were received.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding: 2021-7**

*Condition:* The number of separate Quickbooks accounts used by Management to maintain the accounting for the City is excessive.

*Criteria:* Management should design and use a system of books that allows it to effectively and efficiently maintain the accounting records of the City.

*Cause:* Management maintains the City's internal accounting in Quickbooks. The City has 8 funds that it tracks separately including the following funds, general, parks, municipal road aid, cemetery, water, sewer, sanitation and gas. However, Management is currently using over 20 separate Quickbooks accounts to maintain the books of accounts for these 8 funds.

*Effect:* Management is using an excessive number of Quickbooks accounts to track the accounting for the City. Management cannot effectively or efficiently maintain accurate accounting records using so many separate Quickbooks accounts.

*Recommendation:* We recommend that Management reduce the number of Quickbooks accounts to a more manageable number; perhaps one that coincides with the number of separate funds. By reducing the number of Quickbooks accounts, Management will reduce the workload to maintain those accounts and thus will improve capacity and efficiency.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

**Finding: 2021-8**

*Condition:* Numerous instances were found in which accounts and transactions recorded to the general ledger were not supported by documentation such as outstanding debt and capital assets.

*Criteria:* All transactions recorded to the general ledger should be supported by documentation. Supporting schedules should be maintained for significant City accounts such as debt and capital assets.

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*Cause:* During our testing of debt, we noted that Management did not maintain proper supporting documentation such as debt agreements, debt payment amortization schedules, debt payments and proceeds. In addition, we noted that Management did not maintain a schedule to support capital additions and disposals during the year.

*Effect:* Lack of a supporting documentation increases the likelihood of errors and/or misstatements. In addition, lack of supporting documentation causes the auditor to expand audit procedures.

*Recommendation:* Ensure that all transactions and accounts are supported by documentation that is maintained in a filing system that allows for the effective and efficient retrieval of files.

*Response:* Management understands and agrees with the auditor's recommendations and the need to implement the recommendations to improve financial reporting, mitigate risk, and enhance internal controls. Management is currently in the process of reviewing its procedures to strengthen internal controls and accounting policies.

## **FINDINGS – STATE LAWS AND REGULATIONS**

### **Finding: 2021-9 - Violation of KRS 66.480(1)(d) Deposit and Investment Security**

*Condition:* We noted during our testing that \$967,056 of the City's cash was uncollateralized at June 30, 2021.

*Criteria:* KRS 66.480(1)(d) requires a pledge of securities on deposits and investment of public funds to the extent uninsured, by an obligation, including surety bonds, permitted by KRS 41.240(4).

*Cause:* The City did not have adequate policies and procedures in place to ensure compliance with state laws and regulations.

*Effect:* The City was not in compliance with KRS 66.480.

*Recommendation:* The City should implement corrective action to adhere to state laws and regulations. City officials should periodically ask banks to provide a listing of collateral and the current market value to ensure all cash is secured in compliance with state laws and regulations.

*Response:* The City agrees they should adequately collateralize deposits and investment of public funds and has contacted their financial institution to increase the pledged securities on their deposits.