

**CITY OF OAK GROVE, KENTUCKY**

**Financial Statements  
and  
Supplementary Information**

**For the Year Ended  
June 30, 2021**

**CITY OF OAK GROVE, KENTUCKY**

**Table of Contents  
For the Year Ended June 30, 2021**

---

Independent Auditor's Report.....	1-2
-----------------------------------	-----

Management's Discussion and Analysis.....	3-8
---	-----

**Basic Financial Statements:**

Government-Wide Financial Statements:

Statement of Net Position.....	9-10
--------------------------------	------

Statement of Activities.....	11
------------------------------	----

Fund Financial Statements:

Governmental Funds:

Balance Sheet.....	12
--------------------	----

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
---	----

Statement of Revenues, Expenditures and Changes in Fund Balance.....	14
--	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
---	----

Proprietary Funds:

Statement of Net Position.....	16-17
--------------------------------	-------

Statement of Revenues, Expenses and Changes in Net Position.....	18
--	----

Statement of Cash Flows.....	19-20
------------------------------	-------

Notes to the Financial Statements.....	21-52
--	-------

**Required Supplementary Information:**

Budgetary Comparison Schedule – General Fund.....	53
---	----

Schedule of the City's Proportionate Share of the Net Pension Liability.....	54
--	----

Schedule of the City's Pension Contributions.....	55
---	----

Schedule of the City's Proportionate Share of the Net OPEB Liability.....	56
---	----

Schedule of the City's OPEB Contributions.....	57
--	----

**CITY OF OAK GROVE, KENTUCKY**

**Table of Contents (continued)**  
**For the Year Ended June 30, 2021**

---

Notes to Required Supplementary Information.....	58-59
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 <i>Government Auditing Standards</i> .....	60-61
Schedule of Findings and Responses.....	62

BORLAND

BENEFIELD

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Oak Grove, Kentucky

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oak Grove Tourism and Convention Commission (the Tourism Commission), which represent all of the respective assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tourism Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oak Grove, Kentucky, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

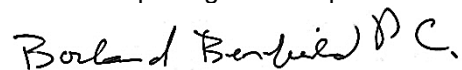
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-8), Budgetary Comparison Schedule (page 51), Schedule of the City's Proportionate Share of the Net Pension Liability (page 52), Schedule of the City's Pension Contributions (page 53), Schedule of the City's Proportionate Share of the Net OPEB Liability (page 54), Schedule of the City's OPEB Contributions (page 55), and notes to the required supplementary information (pages 56-57) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of the City of Oak Grove, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Oak Grove, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oak Grove, Kentucky's internal control over financial reporting and compliance.



Borland Benefield, P.C.  
Birmingham, Alabama  
December 7, 2022

## CITY OF OAK GROVE, KENTUCKY

### Management's Discussion and Analysis For the Year Ended June 30, 2021

---

The City of Oak Grove's (the City) Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

#### FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the June 30, 2021 fiscal year by \$7,343,372 (total net position).
- The City's total liabilities at the close of the fiscal year June 30, 2021 were \$15,160,791, an increase of \$2,192,150 from the previous fiscal year.
- The City's total net position increased in fiscal year 2021 by \$34,338.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$5,508,226. Of this amount, an amount of \$4,046,783 is available for spending at the government's discretion (unassigned fund balance). This is approximately 87% of total General Fund expenditures for the fiscal year ended June 30, 2021.

#### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

#### Reporting on the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?". The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position as one way to measure the City's *financial health* or *financial position*. Over time, *increases* or *decreases* in the City's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in the City's business base and the condition of the City's roads, to assess the overall health of the City.

## CITY OF OAK GROVE, KENTUCKY

### Management's Discussion and Analysis (continued) For the Year Ended June 30, 2021

---

In the Statement of Net Position and the Statement of Activities, we divide the City into three activities:

- Governmental Activities – Most of the City's basic services are reported here, including general government, public safety, public works, and parks and recreation. Property taxes, sales taxes, insurance premium taxes, and occupational and license taxes finance most of these activities.
- Business-type Activities – The City's Water and Sewer funds are reported here. Activities for these funds include administration, operation and maintenance of the water fund, and billing and collection activities. The funds also account for the payment of long-term debt principal and interest for the sewer fund debt.
- Component Unit – The City's financial statements include the activities of a separate legal entity, the Oak Grove Tourism and Convention Commission (the Tourism Commission). Separate financial statements for the Tourism Commission may be obtained by writing to the Tourism Commission at P.O. Box 756, Oak Grove, Kentucky 42262.

### Reporting on the City's Funds

The fund financial statements provide detailed information about the City's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The City's funds can be divided into two broad categories: governmental funds and proprietary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains only one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The City adopts an annual appropriated budget for its major governmental fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget, see table of contents.

## CITY OF OAK GROVE, KENTUCKY

### Management's Discussion and Analysis (continued) For the Year Ended June 30, 2021

#### Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of the City.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The following table presents a condensed Statement of Net Position as of June 30, 2021 and 2020:

	<b>Primary Government</b>		<b>Component Unit</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>				
Current and other assets	\$ 11,237,211	\$ 10,621,095	\$ 914,139	\$ 530,316
Capital assets	8,776,905	8,926,625	8,076,300	8,275,349
<b>Total Assets</b>	<b>\$ 20,014,116</b>	<b>\$ 19,547,720</b>	<b>\$ 8,990,439</b>	<b>\$ 8,805,665</b>
Deferred Outflows of Resources	3,176,249	1,896,775	469,251	539,835
<b>Liabilities</b>				
Current and other liabilities	\$ 1,587,199	\$ 794,631	\$ 336,472	\$ 10,969
Long-term liabilities	13,573,592	12,174,010	4,317,699	4,763,798
<b>Total Liabilities</b>	<b>15,160,791</b>	<b>12,968,641</b>	<b>4,654,171</b>	<b>4,774,767</b>
Deferred Inflows of Resources	686,202	1,166,820	36,528	60,084
<b>Net Position</b>				
Net investment in capital assets	8,064,528	7,931,061	4,341,855	4,230,401
Restricted	1,461,443	1,383,042	188,042	170,390
Unrestricted	(2,182,599)	(2,005,069)	239,094	109,858
<b>Total Net Position</b>	<b>\$ 7,343,372</b>	<b>\$ 7,309,034</b>	<b>\$ 4,768,991</b>	<b>\$ 4,510,649</b>

The City's unrestricted net position decreased by \$177,530 from -\$2,005,069 at June 30, 2020 to -\$2,312,187 at June 30, 2021. At June 30, 2021, cash on hand of \$6,177,552 represented 84% of net position compared to 64% in the prior period. Liabilities include current and long-term debt totaling \$4,722,778, a decrease of \$752,634 (13.7%). No new debt was incurred by the City during the year ended June 30, 2021.

For more detailed information, see the Statement of Net Position.



# CITY OF OAK GROVE, KENTUCKY

## Management's Discussion and Analysis (continued) For the Year Ended June 30, 2021

### Change in Net Position

The following table presents a summary of the revenues and expenses of the total primary government and component unit for the years ended June 30, 2021 and 2020:

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 1,813,134	\$ 2,013,778	\$ 112,176	\$ 129,261
Grants and contributions	1,107,798	628,957	-	-
General revenues				
Taxes	4,359,168	3,758,831	1,477,935	1,267,217
Fines and forfeitures	15,383	17,546	-	-
Interest income	5,677	27,978	512	1,286
Miscellaneous	199,207	258,639	56,357	1,830
Gain (loss) on sale of property	(54,724)	173,336	(399)	300
<b>Total Revenues</b>	<u>7,445,643</u>	<u>6,879,065</u>	<u>1,646,581</u>	<u>1,399,894</u>
<b>Expenses</b>				
General government	2,319,589	1,214,228	-	-
Public safety	2,654,270	2,769,410	-	-
Public works	236,687	257,382	-	-
Parks and recreation	186,162	232,093	-	-
Interest	33,798	50,764	-	-
Business-type activities	1,980,799	2,164,232	-	-
Tourism Commission	-	-	1,388,239	1,377,294
<b>Total Expenses</b>	<u>7,411,305</u>	<u>6,688,109</u>	<u>1,388,239</u>	<u>1,377,294</u>
Change in net position	34,338	190,956	258,342	22,600
<b>Net Position - Beginning of Year</b>	<u>7,309,034</u>	<u>7,118,078</u>	<u>4,510,649</u>	<u>4,488,049</u>
<b>Net Position - End of Year</b>	<u>\$ 7,343,372</u>	<u>\$ 7,309,034</u>	<u>\$ 4,768,991</u>	<u>\$ 4,510,649</u>

The City's change in net position was \$34,338 for the year ended June 30, 2021. Key elements of this change are as follows:

- Total revenues were \$7,445,643, an increase of \$566,578 (8%) from the prior year. Program revenues represent 39% of total revenues. Major sources of program revenues include operating and capital grants and contributions and charges for services. General revenues represent the remaining 61% of total revenues. Major sources of general revenues include property taxes, insurance premium taxes, and occupational and license taxes.

## **CITY OF OAK GROVE, KENTUCKY**

### **Management's Discussion and Analysis (continued) For the Year Ended June 30, 2021**

---

- Expenses totaled \$7,411,305, an increase of 10.8% from the prior year. Major functions include general government, public safety, and public utilities (business-type) expenses. General government expenses increased \$1,105,361. Public safety expenses decreased \$115,140. Public works expenses decreased \$20,695. Parks and recreation expenses decreased \$45,931. Business-type expenses decreased \$183,433.

Consistent revenues, sound budget practices, and a strong financial base allowed the City to fund basic general government expenses, public safety, street projects, repairs, and capital purchases from both unrestricted and restricted sources on hand.

### **Financial Analysis of the City of Oak Grove's Funds**

#### Governmental Funds

Currently, the City has one major governmental fund, the General Fund. As of the end of the June 30, 2021 fiscal year, the total fund balance of the general fund was \$5,508,226, an increase of \$1,091,473, or 24.7%. The unassigned fund balance was \$4,046,783, an increase of \$1,021,901, or 33.7%. Unassigned fund balance is intended for availability as working capital and for current spending in accordance with the purposes of the general fund. The remainder of the fund balance, \$1,461,443, is restricted for special projects.

#### Proprietary Funds

The City has two proprietary funds, Water Fund and Sewer Fund. As of the end of the June 30, 2021 fiscal year, the total net position of the proprietary funds was \$2,030,782, a \$174,528 decrease from the prior year. Total operating revenues, consisting of charges for services and other operating revenues, were \$1,805,032. Operating expenses totaled \$1,980,799 a \$183,433 decrease from the prior year. Total non-operating revenue (expense) was \$1,239.

### **Budget Reporting**

The budget has always been used to encourage spending adherence, ensuring that expenditures do not exceed budget, and therefore complying with a legally adopted budget. The form of the budget historically set forth a "budget-to-actual" comparison statement. The General Fund budget adopted and amended by the City Council for the fiscal year ended June 30, 2021 projected \$5,086,312 in revenues and other financing sources and \$5,858,232 in expenditures. Actual General Fund revenues and other financing sources for the period were \$5,724,096, \$637,784 more than budgeted; while General Fund expenditures totaled \$4,632,623, \$1,225,609 less than budgeted. The City chose to budget conservatively for taxes and license revenues. Budgeted expenditures for the fiscal year 2021 exceeded actual amounts, primarily due to fewer capital outlays than expected.

At times during the fiscal year, the City Council formally amends its budget to more closely match actual revenues and expenditures. A detailed analysis of the variance between actual results and budgeted amounts is included in the Budgetary Comparison Schedule - General Fund contained in the Required Supplementary Information section of the accompanying financial statements and is herein incorporated by reference.

## **CITY OF OAK GROVE, KENTUCKY**

### **Management's Discussion and Analysis (continued) For the Year Ended June 30, 2021**

---

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

At June 30, 2021, net capital assets of the governmental activities totaled \$7,273,129. Current year additions totaled \$480,774. The capital additions for governmental activities included infrastructure, equipment, and vehicles.

At June 30, 2021, net capital assets of the business-type activities totaled \$1,503,776. Current year additions totaled \$71,573 for business-type activities. The capital additions for business-type activities included equipment and vehicles.

##### **Long-Term Debt**

At June 30, 2021, long-term debt of the governmental activities totaled \$4,722,778. Current and long-term portion of debt are \$762,318 and \$3,960,460, respectively. The governmental activities did not incur any new debt during the fiscal year. Principal reductions during the year totaled \$657,634.

At June 30, 2021, long-term debt of the business-type activities totaled \$-0-. The business-type activities did not incur any new debt during the fiscal year. Principal reductions during the year totaled \$95,000.

#### **ECONOMIC FACTORS AFFECTING THE CITY OF OAK GROVE AND NEXT YEAR'S BUDGET INFORMATION**

##### **Key Revenue Assumptions and Trends for Fiscal Year 2020-2021**

The 2020-2021 fiscal year continued to bring reasonable growth in revenues to the City, including taxes and license revenues and charges for services despite state and federal restrictions during the COVID-19 pandemic. New developments, both commercial and residential, ceased during most of this fiscal year and revenues recognized from the Oak Grove Racing and Gaming were less due to these same restrictions. The City plans to resume its focus on economic development effort in commercial areas to increase long-term revenues.

##### **Key Revenue Assumptions and Trends for Fiscal Year 2021-2022**

Management expects revenues to increase for the 2021-2022 year now that all COVID-19 restrictions have expired. Taxes and licenses should meet the budgeted amount, with residential and commercial real property assessed values increasing city-wide for the first time in over a decade. Assessed values increased significantly enough to require the City to decrease the real and personal property rates to comply with Kentucky law limiting municipal revenue increases to 4% over the previous year property tax revenue. The City's local economy continues to consist of commercial, retail, light industrial businesses, and a gaming facility adjacent to Fort Campbell, Kentucky with approximately 30,000 active duty military personnel and their families.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Oak Grove Finance Director at the City of Oak Grove, P.O. Box 250, Oak Grove, KY 42262.

**CITY OF OAK GROVE, KENTUCKY**

**Statement of Net Position  
As of June 30, 2021**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,591,944	\$ 1,124,165	\$ 4,716,109	\$ 558,491
Investments	-	508,907	508,907	-
Receivables, net				
Accounts/utilities	-	277,629	277,629	-
Taxes and liens	333,010	-	333,010	142,822
Occupational license and franchise fees	195,865	-	195,865	-
Other	-	9,803	9,803	-
Internal balances	30,068	(30,068)	-	
Other current assets	-	-	-	24,784
Restricted assets				
Cash and cash equivalents	1,461,443	-	1,461,443	188,042
Capital assets				
Depreciable, net	5,710,793	1,413,606	7,124,399	6,317,204
Non-depreciable	1,562,336	90,170	1,652,506	1,759,096
Note Receivable - Tourism Commission				
Within one year	323,583	-	323,583	-
More than one year	3,410,862	-	3,410,862	-
<b>Total Assets</b>	<b>\$ 16,619,904</b>	<b>\$ 3,394,212</b>	<b>\$ 20,014,116</b>	<b>\$ 8,990,439</b>
<b>Deferred Outflows of Resources</b>				
Pension related (See Note 10)	\$ 1,902,748	\$ 157,966	\$ 2,060,714	\$ 273,730
OPEB related (See Note 11)	1,008,104	107,431	1,115,535	195,521
<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,910,852</b>	<b>\$ 265,397</b>	<b>\$ 3,176,249</b>	<b>\$ 469,251</b>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Net Position (continued)  
As of June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Accounts payable and other current liabilities	\$ 28,719	\$ 353,412	\$ 382,131	\$ 2,335
Accrued liabilities	-	6,645	6,645	10,554
Utility deposits	-	357,575	357,575	-
Compensated absences	75,385	-	75,385	-
Liabilities payable from restricted assets:				
Accrued interest	3,145	-	3,145	-
Current portion of long-term debt	762,318	-	762,318	323,583
Non-current liabilities				
Due to City of Oak Grove	-	-	-	3,410,862
Claims payable	181,729	-	181,729	-
Bonds payable	212,011	-	212,011	-
Capital leases	3,748,449	-	3,748,449	-
Net OPEB liability	2,061,334	186,263	2,247,597	217,081
Net pension liability	6,598,417	585,389	7,183,806	689,756
<b>Total Liabilities</b>	<u>\$ 13,671,507</u>	<u>\$ 1,489,284</u>	<u>\$ 15,160,791</u>	<u>\$ 4,654,171</u>
<b>Deferred Inflows of Resources</b>				
Pension related (See Note 10)	\$ 181,670	\$ 64,742	\$ 246,412	\$ -
OPEB related (See Note 11)	364,989	74,801	439,790	36,528
<b>Total Deferred Inflows of Resources</b>	<u>\$ 546,659</u>	<u>\$ 139,543</u>	<u>\$ 686,202</u>	<u>\$ 36,528</u>
<b>Net Position</b>				
Net investment in capital assets	\$ 6,560,752	\$ 1,503,776	\$ 8,064,528	\$ 4,341,855
Restricted (See Note 6)	1,461,443	-	1,461,443	188,042
Unrestricted	(2,709,605)	527,006	(2,182,599)	239,094
<b>Total Net Position</b>	<u>\$ 5,312,590</u>	<u>\$ 2,030,782</u>	<u>\$ 7,343,372</u>	<u>\$ 4,768,991</u>

See accompanying notes to financial statements.

**CITY OF OAK GROVE, KENTUCKY**

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for	Operating	Capital	Primary Government			Component
	Expenses	Services	Grants and	Grants and	Governmental	Business-Type	Total	Unit
			Contributions	Contributions	Activities	Activities		
Primary Government								
Governmental Activities								
General government	\$ 2,319,589	\$ 8,102	\$ 708,260	\$ -	\$ (1,603,227)	\$ -	\$ (1,603,227)	\$ -
Public safety	2,654,270	-	250,369	-	(2,403,901)	-	(2,403,901)	-
Public works	236,687	-	91,290	57,879	(87,518)	-	(87,518)	-
Parks and recreation	186,162	-	-	-	(186,162)	-	(186,162)	-
Interest expense	33,798	-	-	-	(33,798)	-	(33,798)	-
Total Governmental Activities	<u>5,430,506</u>	<u>8,102</u>	<u>1,049,919</u>	<u>57,879</u>	<u>(4,314,606)</u>	<u>-</u>	<u>(4,314,606)</u>	<u>-</u>
Business-Type Activities								
Water	<u>1,980,799</u>	<u>1,805,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,767)</u>	<u>(175,767)</u>	<u>-</u>
Total Primary Government	<u>\$ 7,411,305</u>	<u>\$ 1,813,134</u>	<u>\$ 1,049,919</u>	<u>\$ 57,879</u>	<u>\$ (4,314,606)</u>	<u>\$ (175,767)</u>	<u>\$ (4,490,373)</u>	<u>\$ -</u>
Component Unit								
Tourism Commission	<u>\$ 1,388,239</u>	<u>\$ 112,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,276,063)</u>
General Revenues								
Taxes and related revenues:								
Property taxes					\$ 1,050,558	\$ -	\$ 1,050,558	\$ -
Insurance premium taxes					997,812	-	997,812	-
Hotel/motel taxes					-	-	-	389,612
Restaurant taxes					-	-	-	1,088,323
Parks and recreation taxes					162,501	-	162,501	-
Occupational and license taxes					1,446,207	-	1,446,207	-
Franchise taxes					252,942	-	252,942	-
Other taxes					449,148	-	449,148	-
Fines and forfeitures					15,383	-	15,383	-
Interest income					4,438	1,239	5,677	512
Miscellaneous					199,207	-	199,207	56,357
(Loss) on disposal of property					(54,724)	-	(54,724)	(399)
Total General Revenues and Transfers					<u>4,523,472</u>	<u>1,239</u>	<u>4,524,711</u>	<u>1,534,405</u>
Change in Net Position					208,866	(174,528)	34,338	258,342
Net Position - Beginning of Year					<u>5,103,724</u>	<u>2,205,310</u>	<u>7,309,034</u>	<u>4,510,649</u>
Net Position - End of Year					<u>\$ 5,312,590</u>	<u>\$ 2,030,782</u>	<u>\$ 7,343,372</u>	<u>\$ 4,768,991</u>

See accompanying notes to financial statements.

**CITY OF OAK GROVE, KENTUCKY**

**Balance Sheet  
Governmental Funds  
As of June 30, 2021**

	<b><u>General Fund</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,591,944
Receivables, net	
Taxes and liens	333,010
Occupational license and franchise fees	195,865
Due from other fund	30,068
Restricted assets	
Cash and cash equivalents	<u>1,461,443</u>
<b>Total Assets</b>	<b><u>\$ 5,612,330</u></b>
<b>Liabilities and Fund Balances</b>	
Liabilities	
Accounts payable and accrued liabilities	\$ 28,719
Compensated absences	<u>75,385</u>
<b>Total Liabilities</b>	<b><u>104,104</u></b>
Fund Balance	
Restricted	
Special projects	1,461,443
Unassigned	<u>4,046,783</u>
<b>Total Fund Balances</b>	<b><u>5,508,226</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,612,330</u></b>

*See accompanying notes to financial statements.*

**CITY OF OAK GROVE, KENTUCKY**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended June 30, 2021**

---

Total fund balance, governmental funds	\$ 5,508,226
--	--------------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	7,273,129
--	-----------

Long-term receivable due from Tourism Commission	3,734,445
--	-----------

Deferred outflows of resources related to pension and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods.	2,910,852
--	-----------

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.

Those liabilities consist of the following:

Long-term debt	(4,722,778)	
Claims payable	(181,729)	
Accrued interest expense	(3,145)	
Net OPEB liability	(2,061,334)	
Net pension liability	<u>(6,598,417)</u>	(13,567,403)

Deferred inflows of resources related to pension and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods.	<u>(546,659)</u>
---	------------------

Net position - governmental activities	<u>\$ 5,312,590</u>
--	---------------------

*See accompanying notes to financial statements.*



**CITY OF OAK GROVE, KENTUCKY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2021**

	<u><b>General Fund</b></u>
<b>Revenues</b>	
Taxes and licenses	\$ 4,359,168
Charges for services	8,102
Grants	951,479
Fines and forfeitures	15,383
Intergovernmental	156,319
Interest income	4,438
Miscellaneous	199,207
<b>Total Revenues</b>	<u>5,694,096</u>
<b>Expenditures</b>	
Current	
General government	989,520
Public safety	2,439,942
Public works	206,998
Parks and recreation	133,870
Debt service	
Principal	346,365
Interest and other charges	35,729
Capital outlays	480,199
<b>Total Expenditures</b>	<u>4,632,623</u>
Excess of Revenues Over Expenditures	<u>1,061,473</u>
<b>Other Financing Sources</b>	
Sale of property	<u>30,000</u>
<b>Net Change in Fund Balance</b>	1,091,473
<b>Fund Balances - Beginning</b>	<u>4,416,753</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,508,226</u>

*See accompanying notes to financial statements.*

# CITY OF OAK GROVE, KENTUCKY

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds:	\$ 1,091,473
---	--------------

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays of \$480,199 exceeded depreciation of \$426,682 in the current period.	53,517
---	--------

In the Statement of Activities, only the gain on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed in the current period.	(84,726)
---	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	1,931
---	-------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of this difference are as follows:

Principal repayments	346,365	
Premiums and discounts	<u>769</u>	347,134

Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of charges in deferred outflows and inflows of resources related to pension and OPEB, and investment experience.	<u>(1,200,463)</u>
---	--------------------

Change in net position - governmental activities	<u>\$ 208,866</u>
--	-------------------

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Net Position  
Proprietary Funds  
As of June 30, 2021

	Business-type Activities		
	Water	Sewer	Total
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 1,124,165	\$ -	\$ 1,124,165
Investments	508,907	-	508,907
Receivables, net			
Accounts	277,629	-	277,629
Other	9,803	-	9,803
<b>Total Current Assets</b>	<u>1,920,504</u>	<u>-</u>	<u>1,920,504</u>
Noncurrent Assets			
Depreciable assets, net	1,413,606	-	1,413,606
Non-depreciable assets	90,170	-	90,170
<b>Total Noncurrent Assets</b>	<u>1,503,776</u>	<u>-</u>	<u>1,503,776</u>
<b>Total Assets</b>	<u>\$ 3,424,280</u>	<u>\$ -</u>	<u>\$ 3,424,280</u>
<b>Deferred Outflows of Resources</b>			
Pension related	\$ 157,966	\$ -	\$ 157,966
OPEB related	107,431	-	107,431
<b>Total Deferred Outflows of Resources</b>	<u>\$ 265,397</u>	<u>\$ -</u>	<u>\$ 265,397</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Net Position (continued)  
Proprietary Funds  
As of June 30, 2021

	Business-type Activities		
	Water	Sewer	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 353,412	\$ -	\$ 353,412
Utility deposits	357,575	-	357,575
Compensated absences	6,645	-	6,645
Due to other fund	30,068	-	30,068
<b>Total Current Liabilities</b>	<u>747,700</u>	<u>-</u>	<u>747,700</u>
Noncurrent Liabilities			
Net OPEB liability	186,263	-	186,263
Net pension liability	585,389	-	585,389
<b>Total Noncurrent Liabilities</b>	<u>771,652</u>	<u>-</u>	<u>771,652</u>
<b>Total Liabilities</b>	<u>\$ 1,519,352</u>	<u>\$ -</u>	<u>\$ 1,519,352</u>
<b>Deferred Inflows of Resources</b>			
Pension related	\$ 64,742	\$ -	\$ 64,742
OPEB related	74,801	-	74,801
<b>Total Deferred Inflows of Resources</b>	<u>\$ 139,543</u>	<u>\$ -</u>	<u>\$ 139,543</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 1,503,776	\$ -	\$ 1,503,776
Unrestricted	527,006	-	527,006
<b>Total Net Position</b>	<u>\$ 2,030,782</u>	<u>\$ -</u>	<u>\$ 2,030,782</u>

See accompanying notes to financial statements.

**CITY OF OAK GROVE, KENTUCKY**

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

	<b>Business-type Activities</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services - water	\$ 1,626,426	\$ -	\$ 1,626,426
Charges for services - sanitation	47,820	-	47,820
Other operating revenues	130,786	-	130,786
<b>Total Operating Revenues</b>	<u>1,805,032</u>	<u>-</u>	<u>1,805,032</u>
<b>Operating Expenses</b>			
Personnel services	585,953	-	585,953
Water cost	851,489	-	851,489
Contractual services	80,928	-	80,928
Bad debt expense	64	-	64
Repairs and maintenance	25,612	-	25,612
Materials and supplies	89,315	-	89,315
Office and administrative	157,352	-	157,352
Depreciation	190,086	-	190,086
<b>Total Operating Expenses</b>	<u>1,980,799</u>	<u>-</u>	<u>1,980,799</u>
<b>Operating (Loss)</b>	<u>(175,767)</u>	<u>-</u>	<u>(175,767)</u>
<b>Non-Operating Revenue</b>			
Interest income	1,181	58	1,239
<b>Total Non-Operating Revenue</b>	<u>1,181</u>	<u>58</u>	<u>1,239</u>
<b>Increase (Decrease) in Net Position Before Contributions and Transfers</b>	<u>(174,586)</u>	<u>58</u>	<u>(174,528)</u>
<b>Capital Contributions and Transfers</b>			
Transfers in (out)	72,119	(72,119)	-
<b>Total Capital Contributions and Transfers</b>	<u>72,119</u>	<u>(72,119)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>(102,467)</u>	<u>(72,061)</u>	<u>(174,528)</u>
<b>Net Position - Beginning</b>	<u>2,133,249</u>	<u>72,061</u>	<u>2,205,310</u>
<b>Net Position - Ending</b>	<u>\$ 2,030,782</u>	<u>\$ -</u>	<u>\$ 2,030,782</u>

*See accompanying notes to financial statements.*

**CITY OF OAK GROVE, KENTUCKY**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2021**

	<b>Business-type Activities</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,800,677	\$ -	\$ 1,800,677
Payments to suppliers	(1,113,463)	-	(1,113,463)
Payments to employees	(621,820)	-	(621,820)
<b>Net Cash Provided By Operating Activities</b>	<u>65,394</u>	<u>-</u>	<u>65,394</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(71,573)	-	(71,573)
<b>Net Cash (Used) By Capital And Related Financing Activities</b>	<u>(71,573)</u>	<u>-</u>	<u>(71,573)</u>
<b>Cash Flows From Investing Activities</b>			
Interest income	1,181	58	1,239
Redemption (purchase) of investments	(349)	-	(349)
Purchase of investments	-	(58)	(58)
<b>Net Cash Provided By Investing Activities</b>	<u>832</u>	<u>-</u>	<u>832</u>
<b>Net Decrease In Cash And Cash Equivalents</b>	(5,347)	-	(5,347)
<b>Cash and Equivalents, Beginning of the Year</b>	<u>1,129,512</u>	<u>-</u>	<u>1,129,512</u>
<b>Cash and Equivalents, End of the Year</b>	<u>\$ 1,124,165</u>	<u>\$ -</u>	<u>\$ 1,124,165</u>

*See accompanying notes to financial statements.*

CITY OF OAK GROVE, KENTUCKY

Statement of Cash Flows (continued)  
Proprietary Funds  
For the Year Ended June 30, 2021

	Business-type Activities		
	Water	Sewer	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating (Loss)	\$ (175,767)	\$ -	\$ (175,767)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	190,086	-	190,086
Pension	(29,185)	-	(29,185)
OPEB	(11,759)	-	(11,759)
Change in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(4,579)	-	(4,579)
Prepaid insurance	23,706	-	23,706
Increase (decrease) in:			
Accounts payable	37,523	-	37,523
Utility deposits	224	-	224
Compensated absences	5,077	-	5,077
Due to other fund	30,068	-	30,068
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 65,394</b>	<b>\$ -</b>	<b>\$ 65,394</b>
<b>Schedule of Non-Cash Investing, Capital, and Financing Activities</b>			
Principal payments on debt	\$ -	\$ (95,000)	\$ (95,000)
Principal receipts on note receivable	-	95,000	95,000
Internal transfer from sewer fund to water fund	72,119	(72,119)	-
	<b>\$ 72,119</b>	<b>\$ (72,119)</b>	<b>\$ -</b>

See accompanying notes to financial statements.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements For the Year Ended June 30, 2021

---

#### **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the City of Oak Grove, Kentucky (the “City”) and its discretely presented component unit have been established in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The following is a summary of the most significant accounting policies:

##### Reporting Entity

The City is in the south-central portion of Kentucky, adjacent to the Tennessee-Kentucky state line. The City was incorporated in 1974. The City operates under a Mayor-Council form of government and provides general government services, public safety, public works, parks, and recreation services, as authorized by its charter.

The governmental reporting entity consists of the City (Primary Government) and its component unit. Component units are legally separate organizations for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the City’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

##### *Discretely Presented Component Unit*

As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the City and its component unit, the Oak Grove Tourism and Convention Commission (the Tourism Commission). The Tourism Commission was established through City ordinance under the laws of the State of Kentucky. The Tourism Commission was established to promote recreational, tourism and convention activities within the City’s limits. Separate financial statements for the Tourism Commission may be obtained from the Tourism Commission by writing the Commission at P.O. Box 756, Oak Grove, Kentucky.

The City allocates 100% of restaurant and hotel taxes to the Tourism Commission. For the fiscal year ended June 30, 2021, no restaurant and hotel taxes were collected and remitted to the Tourism Commission by the City. Instead, the Tourism Commission collects these tax revenues directly from taxpayers. The City subleases the Oak Grove Convention Center facility to the Tourism Commission. The City is obligated under two capital leases associated with this facility. Additionally, all eligible Tourism Commission employees participate along with all eligible City employees in the same employee benefit plan. There were no other significant transactions between the City and the Tourism Commission during the fiscal year.

##### Basis of Presentation

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all the activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

*See independent auditor’s report.*



## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 1 – Summary of Significant Accounting Policies (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to programs based upon an estimate of their proportional relevance to each individual program. Program revenues include (1) charges to customer or applicant who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statement. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental fund:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund. The primary revenue resources are ad valorem taxes, grants, and various other taxes, licenses, and charges for services. The primary expenditures are for general government, public safety, public works, parks, and recreational activities.

The City reports the following proprietary funds:

The **Water Fund** is used to account for provision of water and trash collection services to the residents of the City. Activities of the fund include administration, operation, and maintenance of the water system. The fund is also used to account for the accumulation of resources for, and the payment of, long-term debt relative to the water system. All the costs of the water system are financed through charges to utility customers.

The **Sewer Fund** is used to account for the sewer activity of the City. In May 2008, the sewer plant and infrastructure were sold to the Hopkinsville Sewerage and Water Works Commission (HWEA), see Note 16. The City performs billing and collection services, relative to sewer services provided to the City's residents; and remits amounts collected for sewer services to HWEA.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

All funds of the City are maintained during the year using the modified accrual basis of accounting.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 1 – Summary of Significant Accounting Policies (continued)

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Inter-fund services provided and used are not eliminated in the process of consolidation.

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures are recorded when the related fund liability is incurred, if measurable, except for un-matured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financial sources.

Property taxes, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

*See independent auditor's report.*

## **CITY OF OAK GROVE, KENTUCKY**

### **Notes to the Financial Statements (continued) For the Year Ended June 30, 2021**

---

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

##### Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation of the fund balances in the governmental funds to the net position reported in the government-wide statements. The reconciling items reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. In addition, capital assets and long-term debt are added to the governmental funds to compile the long-term view in the governmental activities column of the government-wide statement of net position.

A similar reconciliation is included for the statement of revenues, expenditures, and changes in fund balances of the governmental funds. The reconciling items reflect the transition from the modified accrual accounting basis used for governmental funds to the accrual basis of accounting used in the statement of activities. Capital outlay is replaced with depreciation expense. The principal payments on long-term debt are eliminated from operating costs.

##### Budgetary Control

Annual budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund budgets are adopted on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year-end. The mayor submits the proposed budget to the council no later than June 1. Council revises and adopts the budget no later than June 30. The budget ordinance establishes authorized appropriations at the department level of control. Amendments are adopted during the year, as necessary.

##### Deposits and Investments

Kentucky Revised Statute 66.480 permits the City to invest in obligations of the United States and of its agencies and instrumentalities, including repurchase agreements, commercial bank certificates of deposit, savings and loan deposits and the Commonwealth of Kentucky investment pool. As security for deposits in excess of FDIC insurance coverage, the City requires banks to pledge securities in an amount to exceed such excess deposits. Investments of the City are carried at fair value. Certificates of deposit are carried at cost since redemption terms do not consider market or interest rate risks.

##### Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

##### Restricted Assets

Certain proceeds from bonds and grants, funds set aside for the repayment of bonds and loans, and other amounts required to be set aside by third parties are classified as restricted assets because their use is limited by applicable laws, grant agreements or debt covenants.

##### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 1 – Summary of Significant Accounting Policies (continued)

##### Allowance for Doubtful Accounts

All utility and property tax receivables are shown net of an allowance for uncollectible accounts. Utility receivables that have been classified as inactive have been included in the allowance for uncollectible accounts. Estimated uncollectible accounts are established based upon the type and age of the related receivables and historical experience.

##### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost in excess of \$10,000, and an estimated useful life in excess of one year. Additions or improvements that significantly add value to an asset or increase its capability or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed by the City.

Property, plant and equipment of the primary government and its component unit are depreciated using the straight line method over the following estimated useful lives:

Building and Improvements	15 to 40 Years
Vehicles	5 Years
Furniture and Equipment	5 to 10 Years
Infrastructure and Utility Plant	30 to 50 Years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local government's basis financial statements. In accordance with Statement No. 34, the City has elected to report infrastructure prospectively.

The City's assets under capitalized lease obligations are recorded at the discounted present value of the future minimum lease payments at inception of the respective leases. The amounts capitalized are being amortized under the straight-line method over the estimated life of the asset. Amortization of these assets has been included in depreciation expense.

##### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as debt insurance cost, are deferred and amortized over the life of the bonds using straight-line method that approximates the effective interest method. Bonds payable is reported net of the applicable bond premiums or discounts. All other bond or debt issuance costs are expensed as they are incurred.

*See independent auditor's report.*

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 1 – Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Compensated absences

All full-time employees are entitled to vacation leave based upon the following schedule:

One year of service	40 hours per year
Two years of service	80 hours per year
Five years of service	120 hours per year
Ten years of service	160 hours per year

Annual leave accrues from the anniversary of the date of hire, on a pro-rated basis. Carryover of accumulated leave is limited to 80 hours, as of the anniversary of the date of hire. Resigning employees will be paid for accumulated annual leave, up to the maximum (80 hours) they are permitted to carryover; provided the employee gives at least fourteen (14) calendar days prior written notice of their resignation.

Based upon the limitations on the carryover of accumulated leave, all accrued leave is considered a current liability and, thus, is recorded as a current liability in the government-wide financial statements.

#### Net Position and Fund Balances

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through state statute. At year-end, restricted net position consisted of restricted cash and investments held for payments of future construction contracts, amounts restricted to payment of future debt service obligations, and amounts restricted for use in street improvements and construction projects.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

- Non-spendable Fund Balance – Amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. Amounts reported as non-spendable fund balance in the Governmental Funds balance sheet relate to prepaid expenditures.
- Restricted Fund Balance – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*See independent auditor's report.*

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 1 – Summary of Significant Accounting Policies (continued)

- Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints established by formal action of the City's highest level of decision-making authority, which would be ordinances or resolutions passed by City Council. Those committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by ordinance or resolution.
- Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Council, City Mayor, or any other body or official which has been delegated the authority to assign amounts to be used for a specific purpose.
- Unassigned Fund Balance – Amounts of spendable fund balance that has not been restricted, committed, or assigned to a specific purpose or other fund.

The City has not adopted a minimum fund balance policy for the General Fund. The City considers restricted amounts to be spent first, when both restricted and unrestricted fund balances are available. Additionally, for purposes of fund balance classification, expenditures are to be spent first from restricted fund balance, followed, in order, by committed fund balance, assigned fund balance and lately unassigned fund balance.

#### Non-Exchange Transactions

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, entitlements, grants, and donations. Property taxes levied are recorded when there is an enforceable legal claim and when the revenue is measurable and available. 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 required to be used or the year when use is first permitted), and matching requirements (which require the City to provide local resources to be used for a specific purpose). On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

#### Use of Estimates

The City used estimates and assumptions in preparing these financial statements in accordance with generally accepted principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension and OPEB related activities that qualify for reporting in this category (see Note 10 and Note 11, respectively).

## **CITY OF OAK GROVE, KENTUCKY**

### **Notes to the Financial Statements (continued) For the Year Ended June 30, 2021**

---

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has pension and OPEB related activities that qualify for reporting in this category (see Note 10 and Note 11, respectively).

##### Pension

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

##### Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement Systems' (KRS) County Employees Retirement Systems (CERS) Insurance Fund (the plan) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments 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.

#### **Note 2 – Deposits**

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by United States Government obligations or direct obligations of the State of Kentucky (including agencies and instrumentalities). Pledged collateral must have a market value of not less than the principal amount of deposits. As of June 30, 2021, the carrying amount of the City's deposits was \$6,686,459 with bank balances totaling \$6,824,022. The City's deposits, including certificates of deposit, were all FDIC insured or collateralized as required by State statute at June 30, 2021.

As of June 30, 2021, carrying amount of the Tourism Commission's deposits was \$746,533 and the bank balance was \$770,646. Of the Tourism Commission's bank balance, \$738,229 was covered by Federal Deposit Insurance and pledged collateral which was not sufficient.

*[The remainder of this page has been intentionally left blank.]*

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 3 - Receivables

As of June 30, 2021 for the City's major receivables, including the applicable allowance for uncollectible accounts were as follows:

	Governmental	Business Type	Total	Component Unit
Accounts/utilities	\$ -	\$ 308,395	\$ 308,395	\$ -
Taxes and liens	349,263	-	349,263	142,822
Occupational license and franchise fees	195,865	-	195,865	-
Other	-	9,803	9,803	-
Gross receivables	545,128	318,198	863,326	142,822
Allowance for uncollectible accounts	(16,253)	(30,766)	(47,019)	-
<b>Net Receivables</b>	<b>\$ 528,875</b>	<b>\$ 287,432</b>	<b>\$ 816,307</b>	<b>\$ 142,822</b>

#### Note 4 – Investments

Kentucky Revised Statute (KRS 66.480) authorizes Kentucky municipalities to invest in obligations of the United States Treasury and United States agencies and instrumentalities (including repurchase agreements with national or state chartered banks); obligations and options to purchase obligations of the United States Treasury and certain government agencies; obligations of any corporation of the United States government; certificates of deposit and interest bearing accounts held with banks or savings and loan institutions insured by FDIC or collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4); uncollateralized certificates of deposit and banker's acceptances issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; bonds or certificates of indebtedness of the State of Kentucky and its agencies and instrumentalities; securities issued by state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and certain shares of mutual funds having specific characteristics.

The City has not formally adopted deposit and investment policies that limit allowable deposits or investments and address exposure to specific risk. As of June 30, 2021, all the City's investments were comprised of nonnegotiable bank certificates of deposit. Early withdrawal penalties are considered negligible.

#### Note 5 – Property Taxes

The City's property tax is levied each October 1 on assessed values as of the prior January 1, for all real and business personal property located within the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Taxes are due November 1 immediately following the levy date and are delinquent after the following January 31. The City assesses a maximum penalty of 10% on delinquent taxes.

Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with generally accepted accounting principles, have been recognized as revenue.

*See independent auditor's report.*



**CITY OF OAK GROVE, KENTUCKY**

**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2021**

---

**Note 6 –Restricted Assets**

The City held cash and investments that were restricted by debt covenants and assets restricted as to use. These assets consisted of the following at June 30, 2021:

	Cash and Equivalents
<b>Governmental Funds</b>	
Roads	\$ 1,025,611
Operations and maintenance	<u>435,832</u>
<b>Totals</b>	<u><u>\$ 1,461,443</u></u>
<b>Proprietary Funds</b>	
Debt Service Reserve	<u><u>\$ -</u></u>
<b>Component Unit</b>	
Oak Grove Tourism & Convention Commission	<u><u>\$ 188,042</u></u>

*[The remainder of this page has been intentionally left blank.]*

**CITY OF OAK GROVE, KENTUCKY**

**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2021**

**Note 7 – Capital Assets**

Capital assets activity of the City for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions/ Adjustments	Disposals/ Adjustments	Balance June 30, 2021
<b>Governmental Activities:</b>				
Non-depreciable:				
Land	\$ 1,562,336	\$ -	\$ -	\$ 1,562,336
Construction in progress	85,299	-	85,299	-
Total non-depreciable capital assets	<u>\$ 1,647,635</u>	<u>\$ -</u>	<u>\$ 85,299</u>	<u>\$ 1,562,336</u>
Depreciable				
Buildings	\$ 4,128,576	\$ -	\$ -	\$ 4,128,576
Infrastructure	2,980,551	146,849	-	3,127,400
Machinery and equipment	2,693,391	84,142	118,428	2,659,105
Vehicles	956,552	249,783	-	1,206,335
Total depreciable capital assets	<u>10,759,070</u>	<u>480,774</u>	<u>118,428</u>	<u>11,121,416</u>
Less: Accumulated depreciation				
Buildings	(1,383,238)	(104,997)	-	(1,488,235)
Infrastructure	(767,001)	(80,941)	-	(847,942)
Machinery and equipment	(2,206,226)	(147,360)	(118,428)	(2,235,158)
Vehicles	(745,904)	(93,384)	-	(839,288)
Total Accumulated depreciation	<u>(5,102,369)</u>	<u>(426,682)</u>	<u>(118,428)</u>	<u>(5,410,623)</u>
Total depreciable capital assets, net	<u>5,656,701</u>	<u>54,092</u>	<u>-</u>	<u>5,710,793</u>
Total Governmental Activities				
<b>Capital Assets, Net</b>	<u>\$ 7,304,336</u>	<u>\$ 54,092</u>	<u>\$ 85,299</u>	<u>\$ 7,273,129</u>

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)  
For the Year Ended June 30, 2021

Note 7 – Capital Assets (continued)

	Balance June 30, 2020	Additions/ Adjustments	Disposals/ Adjustments	Balance June 30, 2021
<b>Business-type Activities</b>				
Non-depreciable:				
Land	\$ 90,170	\$ -	\$ -	\$ 90,170
Depreciable:				
Buildings	171,610	-	-	171,610
Infrastructure	4,706,489	-	-	4,706,489
Machinery and equipment	335,289	40,000	4,779	370,510
Vehicles	96,548	31,573	-	128,121
Total depreciable capital assets	5,309,936	71,573	4,779	5,376,730
Less: Accumulated depreciation				
Buildings	(70,300)	(5,024)	-	(75,324)
Infrastructure	(3,292,502)	(139,702)	-	(3,432,204)
Machinery and equipment	(296,536)	(28,655)	(4,779)	(320,412)
Vehicles	(118,479)	(16,705)	-	(135,184)
Total accumulated depreciation	(3,777,817)	(190,086)	(4,779)	(3,963,124)
Total depreciable capital assets, net	1,532,119	(118,513)	-	1,413,606
<b>Total Business-Type Capital Assets, Net</b>	<b>\$ 1,622,289</b>	<b>\$ (118,513)</b>	<b>\$ -</b>	<b>\$ 1,503,776</b>
	Balance June 30, 2020	Additions/ Adjustments	Disposals/ Adjustments	Balance June 30, 2021
<b>Component Unit</b>				
Non-depreciable:				
Land	\$ 1,759,096	\$ -	\$ -	\$ 1,759,096
Depreciable:				
Buildings and improvements	8,687,782	10,109	-	8,697,891
Furniture, fixtures and equipment	566,292	71,689	10,074	627,907
Vehicles	17,750	-	-	17,750
Total depreciable capital assets	9,271,824	81,798	10,074	9,343,548
Less: Accumulated depreciation				
Buildings and improvements	(2,292,465)	(232,714)	-	(2,525,179)
Furniture, fixtures and equipment	(448,313)	(36,662)	(1,560)	(483,415)
Vehicles	(14,793)	(2,957)	-	(17,750)
Total accumulated depreciation	(2,755,571)	(272,333)	(1,560)	(3,026,344)
Total depreciable capital assets, net	6,516,253	(190,535)	8,514	6,317,204
<b>Total Component Unit Capital Assets, Net</b>	<b>\$ 8,275,349</b>	<b>\$ (190,535)</b>	<b>\$ 8,514</b>	<b>\$ 8,076,300</b>

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)  
For the Year Ended June 30, 2021

---

**Note 7 – Capital Assets (continued)**

For the year ended June 30, 2021, depreciation on capital assets was charged to the governmental functions as follows:

<b>Governmental Activities</b>	
General government	\$ 130,373
Public safety	214,328
Public works	29,689
Parks and recreation	52,292
<b>Total Depreciation Expense</b>	<b>\$ 426,682</b>
<b>Business-Type Activities</b>	
Water fund	<b>\$ 190,086</b>
<b>Component Unit</b>	
Tourism Commission	<b>\$ 272,333</b>

**Note 8 – Assets Under Capital Lease**

Leases that qualify as capital leases for accounting purposes have been recorded at the present value of future minimum lease payments as of the date of lease inception. Amortization related to the capital leases has been included in depreciation expense. The following assets are recorded under capital leases:

	Original Purchase Price	Accumulated Depreciation	Present Value of Minimum Lease Payments
<b>Governmental Activities</b>			
Buildings	\$ 1,305,046	\$ 271,245	\$ 221,705
Community center	1,603,721	467,606	490,672
Convention center	8,379,033	2,166,747	3,734,445
<b>Totals - Governmental Activities</b>	<b>\$ 11,287,800</b>	<b>\$ 2,905,598</b>	<b>\$ 4,446,822</b>

\* The Convention center is sub-leased to the City of Oak Grove Recreational, Tourist and Convention Commission (Tourism Commission).

*[The remainder of this page has been intentionally left blank.]*

See independent auditor's report.

**CITY OF OAK GROVE, KENTUCKY**

**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2021**

**Note 9 – Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable</b>					
General Obligation Bonds	\$ 345,000	\$ -	\$ 65,000	\$ 280,000	\$ 65,000
Net premium/(discount)	(5,099)	-	(1,055)	(4,044)	(1,055)
Total Bonds Payable	<u>339,901</u>	<u>-</u>	<u>63,945</u>	<u>275,956</u>	<u>63,945</u>
<b>Capital Leases</b>					
KY Bond Corporation Lease Payable:					
Maintenance Garage	351,060	-	132,083	218,977	218,977
KY League of Cities Leases Payable:					
Community Center	639,953	-	149,281	490,672	153,991
2005 Convention Center	1,493,446	-	86,075	1,407,371	89,254
2009 Convention Center	2,590,630	-	228,658	2,361,972	238,559
Net premium/(discount)	(34,578)	-	(2,408)	(32,170)	(2,408)
Total Capital Leases	<u>5,040,511</u>	<u>-</u>	<u>593,689</u>	<u>4,446,822</u>	<u>698,373</u>
<b>Other Obligations</b>					
Claims Payable	181,729	-	-	181,729	-
Net OPEB Liability	1,229,241	832,093	-	2,061,334	-
Net Pension Liability	4,706,462	1,891,955	-	6,598,417	-
Total Other Obligations	<u>6,117,432</u>	<u>2,724,048</u>	<u>-</u>	<u>8,841,480</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>\$ 11,497,844</u>	<u>\$ 2,724,048</u>	<u>\$ 657,634</u>	<u>\$ 13,564,258</u>	<u>\$ 762,318</u>
<b>Business-type Activities:</b>					
<b>Sewer Fund Bonds Payable</b>					
Debt assumed by HWEA					
See Note 19	\$ 95,000	\$ -	\$ 95,000	\$ -	\$ -
Total Sewer Fund Bonds Payable	<u>95,000</u>	<u>-</u>	<u>95,000</u>	<u>-</u>	<u>-</u>
<b>Other Obligations</b>					
Net OPEB Liability	111,161	75,102	-	186,263	-
Net Pension Liability	464,929	120,460	-	585,389	-
Total Other Obligations	<u>576,090</u>	<u>195,562</u>	<u>-</u>	<u>771,652</u>	<u>-</u>
<b>Total Business-type Activities</b>	<u>\$ 671,090</u>	<u>\$ 195,562</u>	<u>\$ 95,000</u>	<u>\$ 771,652</u>	<u>\$ -</u>

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)  
For the Year Ended June 30, 2021

Note 9 – Long-Term Liabilities (continued)

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
<b>Component Unit:</b>					
<b>Capital Leases</b>					
2005 Convention Center	\$ 1,493,446	\$ -	\$ 86,075	\$ 1,407,371	\$ 89,254
2009 Convention Center	2,590,630	-	228,658	2,361,972	238,559
Net premium/(discount)	(39,128)	-	(4,230)	(34,898)	(4,230)
Total Capital Leases	<u>4,044,948</u>	<u>-</u>	<u>310,503</u>	<u>3,734,445</u>	<u>323,583</u>
<b>Other Obligations</b>					
Net OPEB Liability	138,694	78,387	-	217,081	-
Net Pension Liability	<u>580,156</u>	<u>109,600</u>	<u>-</u>	<u>689,756</u>	<u>-</u>
Total Other Obligations	<u>718,850</u>	<u>187,987</u>	<u>-</u>	<u>906,837</u>	<u>-</u>
<b>Total Component Unit</b>	<u>\$ 4,763,798</u>	<u>\$ 187,987</u>	<u>\$ 310,503</u>	<u>\$ 4,641,282</u>	<u>\$ 323,583</u>

Long-term debt payable at June 30, 2021, was comprised of the following:

	Interest Rate	Final Maturity Date	June 30, 2021
<b>Governmental Activities:</b>			
General Obligation Bonds Series 2005	3.00% - 4.50%	2025	\$ 280,000
KY Bond Corporation Lease Payable:			
Buildings	Variable	2022	218,977
KY League of Cities Leases Payable:			
Community Center	Variable *	2024	490,672
2005 Convention Center	Variable *	2034	1,407,371
2009 Convention Center	Variable *	2029	2,361,972
Net Bond Discount			(36,214)
Total Governmental Activities			<u>4,722,778</u>
<b>Total Long-Term Debt - General Government</b>			<u>\$ 4,722,778</u>

[The remainder of this page has been intentionally left blank.]

See independent auditor's report.

**CITY OF OAK GROVE, KENTUCKY**

**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2021**

---

**Note 9 – Long-Term Liabilities (continued)**

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>June 30, 2021</u>
<b>Component Unit:</b>			
City of Oak Grove - Sublease:			
2005 Convention Center	Variable *	2034	\$ 1,407,371
2009 Convention Center	Variable *	2029	2,361,972
Discount			(34,898)
<b>Total Long-Term Debt - Component Unit</b>			<u><u>\$ 3,734,445</u></u>

\* Variable rates are determined by remarketing agents based on the LIBOR variable rate index.

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and a pledge of the net revenues of the water and sewer system, and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond Fund. Remaining revenues may then be used for any lawful purpose.

The Tourism Commission (Component Unit) entered into sub-leases with the City of Oak Grove (Primary Government) to fund various capital construction projects. The leases are solely secured by liens on the pledges of the net revenues of the Tourism Commission. Ordinances provide that the revenue of the Tourism Commission be used first to pay operating and maintenance expenses of the Tourism Commission and, second, to establish and maintain the capital lease payments. Remaining revenues may then be used for any lawful purpose.

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*

**CITY OF OAK GROVE, KENTUCKY**

**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2021**

---

**Note 9 – Long-Term Liabilities (continued)**

Annual Requirements to Retire Debt Obligations:

Governmental Activities			
Year Ending June 30	Principal	Interest	Total Debt Service
<b>Bonds</b>			
2022	\$ 65,000	\$ 12,600	\$ 77,600
2023	70,000	9,675	79,675
2024	70,000	6,525	76,525
2025	75,000	3,375	78,375
Total Bonds	<u>280,000</u>	<u>32,175</u>	<u>312,175</u>
<b>Capital Leases</b>			
2022	700,780	154,217	854,997
2023	500,428	131,245	631,673
2024	519,670	111,224	630,894
2025	384,256	94,239	478,495
2026	386,273	80,538	466,811
2027-2031	1,642,145	188,161	1,830,306
2032-2034	345,440	18,144	363,584
Total Capital Leases	<u>4,478,992</u>	<u>777,768</u>	<u>5,256,760</u>
<b>Total Governmental Activities</b>	<u>\$ 4,758,992</u>	<u>\$ 809,943</u>	<u>\$ 5,568,935</u>

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*



# CITY OF OAK GROVE, KENTUCKY

## Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

### Note 9 – Long-Term Liabilities (continued)

Year Ending June 30	Component Unit		
	Principal	Interest/ Administrative	Total Debt Service
<b>Capital Leases</b>			
2022	\$ 327,813	\$ 127,504	\$ 455,317
2023	341,552	115,478	457,030
2024	355,757	102,947	458,704
2025	370,364	89,903	460,267
2026	386,273	76,308	462,581
2027-2031	1,642,028	174,413	1,816,441
2032-2034	345,556	18,144	363,700
<b>Total Component Unit Debt</b>	<b>\$ 3,769,343</b>	<b>\$ 704,697</b>	<b>\$ 4,474,040</b>

All remaining general government debt is being liquidated through the City General Fund. Proprietary fund and Component Unit obligations are being liquidated through those funds, respectively. The following interest costs were incurred and expensed during the fiscal year ended June 30, 2021:

Governmental activities	\$ 33,797
Component unit	73,902

### Note 10 – Employee Retirement System

*Plan description* – The City and its Component Unit are participants in the County Employees' Retirement System (CERS), a cost sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the state legislature. Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS provides retirement, health insurance, death and disability benefits to plan members and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, non-hazardous and hazardous employees are grouped into three tiers based on hire date. Tier 1 members are those participants in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

#### *Non-hazardous members:*

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old
		Minimum 25 years of service and any age

See independent auditor's report.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 10 – Employee Retirement System (continued)

Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

#### *Hazardous members:*

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirements are based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years of service is required for non-service - related disability benefits.

*Plan funding* – State statute requires active members to contribute a percentage of creditable compensation based on the tier:

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*

# CITY OF OAK GROVE, KENTUCKY

## Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

### Note 10 – Employee Retirement System (continued)

	<i>Non-hazardous</i>		<i>Hazardous</i>
	<u>Required Contribution</u>		<u>Required Contribution</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board of Trustees to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.702. The City's required contribution rate was 24.06% for non-hazardous employees and 39.58% for hazardous employees for the year ended June 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2021, a liability of \$6,768,391 was recognized for the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled-forward using generally accepted actuarial principles.

The proportion of the net pension liability 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 proportion was 0.029049% and 0.164369% for non-hazardous and hazardous employees, respectively.

For the year ended June 30, 2021, the total pension expense recognized was \$1,150,538. At June 30, 2021, the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<u>Deferred Outflows of of Resources</u>	<u>Deferred Inflows of of Resources</u>
Differences between expected and actual experience	\$ 209,258	\$ -
Changes of assumptions	274,952	-
Net difference between projected and actual investment earnings on pension plan investments	167,396	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,006,243	246,412
Employer contributions subsequent to the measurement date	402,865	-
<b>Total</b>	<u>\$ 2,060,714</u>	<u>\$ 246,412</u>

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$402,865 will be recognized as a reduction of the net pension liability in the year June 30, 2022.

See independent auditor's report.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 10 – Employee Retirement System (continued)

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

	Hazardous	Non-Hazardous
Year ended June 30:		
2022	\$ 443,183	\$ 45,911
2023	323,396	141,744
2024	260,955	46,932
2025	126,924	22,392
2026	-	-
Thereafter	-	-

*Actuarial assumptions* – The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirements Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total pension liability as of June 30, 2020, was determined using these updated assumptions:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous and hazardous
Salary increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for hazardous
Investment rate of return	6.25% for non-hazardous and hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the 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 2019. 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.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*

# CITY OF OAK GROVE, KENTUCKY

## Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

### Note 10 – Employee Retirement System (continued)

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

*Discount rate* – The projection of cash flows used to determine the discount rate of 6.25% assumes 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 determination does not use a municipal bond.

*Sensitivity of the proportionate share of the net pension liability to changes in the discount rate* – The following table presents the net pension liability of the City, calculated using the discount rate selected by the pension system, as well as what the City's 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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-hazardous' proportionate share of net pension liability	\$ 2,747,651	\$ 2,228,034	\$ 1,797,772
Hazardous' proportionate share of net pension liability	\$ 6,124,628	\$ 4,955,772	\$ 4,001,676

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

### Note 11 – Other Post-Employment Benefits

*Plan description* – Employees whose positions do not require a degree beyond a high school diploma are covered by the County Employee Retirement System (CERS), a cost-sharing multiple-employer defined benefit plan. CERS is administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provision of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustee of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

See independent auditor's report.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 11 – Other Post-Employment Benefits (continued)

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. To be eligible for medical benefits, the member must have retired either for service or disability. Benefits are grouped into three tiers, based on participation dates.

Tier 1 participation began before July 1, 2003. Members are eligible for benefits if they are the recipient of a retirement allowance. The percentage of the member premium paid by the retirement system is based on the number of years of service as indicated below:

Less than 4 years	0%
4-9 years	25%
10-14 years	50%
15-19 years	75%
20 or more years	100%

Tier 2 participation began on or after July 1, 2003, but before September 1, 2008. Members are eligible for benefits if they are the recipient of a retirement allowance with at least 120 months of service at retirement. The retirement system provides a monthly contribution of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July. As of July 1, 2016, the monthly contribution was \$12.99/year of service.

Tier 3 participation began on or after September 1, 2008. Benefits to Tier 2, except Tier 3 members are required to have at least 180 months of service to be eligible.

*Contributions* – Required contributions by the employee are based on the tier. Tier 1 members contribute 0% of gross salary. Tier 2 and 3 members both contribute 1% of gross salary.

Employer contribution rates for the fiscal year were adopted by the Board of KRS based on actuarially recommended rates. Contributions for the year ended June 30, 2021 were \$122,165.

*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 \$2,247,597 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 was determined by an actuarial valuation as June 30, 2019 and rolled-forward using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was 0.029358% for non-hazardous and 0.166506% for hazardous.

*[The remainder of this page has been intentionally left blank.]*

**CITY OF OAK GROVE, KENTUCKY**

**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2021**

**Note 11 – Other Post-Employment Benefits (continued)**

For the year ended June 30, 2021, total OPEB expense recognized was \$355,027. 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 of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ 171,245	\$ 272,191
Changes of assumptions	374,327	2,168
Net difference between projected and actual investment earnings on OPEB plan investments	91,866	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	333,106	165,431
Employer contributions subsequent to the measurement date	120,362	-
Implicit subsidy	24,629	-
<b>Total</b>	<b>\$ 1,115,535</b>	<b>\$ 439,790</b>

Deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and implicit subsidy, \$120,362 and \$24,629, respectively, 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 will be recognized in OPEB expense as follows:

	Hazardous	Non-Hazardous
Year ended June 30:		
2022	\$ 116,369	\$ 22,339
2023	77,542	29,312
2024	102,501	16,005
2025	91,892	23,883
2026	59,788	(8,877)
Thereafter	-	-

*Actuarial assumptions* – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for hazardous
Investment rate of return	6.25%

*See independent auditor's report.*

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 11 – Other Post-Employment Benefits (continued)

##### Healthcare trend rates

Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

The mortality table used for active members is PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members is 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.

The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee” which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

The long-term expected rate of return was determined by using the building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return of each major asset class are summarized below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

*[The remainder of this page has been intentionally left blank.]*



# CITY OF OAK GROVE, KENTUCKY

## Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

### Note 11 – Other Post-Employment Benefits (continued)

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

Fully-insured premiums Kentucky Retirement Systems pays for the Kentucky Employee's Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with the implicit subsidy be included in the calculation of the total OPEB liability.

**Discount Rate** – The projection of cash flows used to determine the discount rates of 5.34% (non-hazardous) and 5.30% (hazardous) assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rate:** The following table presents the City's proportionate share of the collective net OPEB liability, calculated using the discount rates of 5.34% (non-hazardous) and 5.30% (hazardous), as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates.

*[The remainder of this page has been intentionally left blank.]*

See independent auditor's report.

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 11 – Other Post-Employment Benefits (continued)

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous' proportionate share of net OPEB liability	\$ 910,737	\$ 708,906	\$ 543,137
Hazardous' proportionate share of net OPEB liability	\$ 2,088,733	\$ 1,538,691	\$ 1,095,469

*Sensitivity of the City's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous' proportionate share of net OPEB liability	\$ 548,871	\$ 708,906	\$ 903,113
Hazardous' proportionate share of net OPEB liability	\$ 1,099,594	\$ 1,538,691	\$ 2,078,524

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement System financial report.

#### Note 12 – Deferred Compensation

The City allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority administers tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit full-time employees to defer taxation of a portion of their salary until future years. Participation in these plans is voluntary and these plans are funded entirely by employee contributions.

#### Note 13 – Contributed Capital

Contributed capital includes contributed infrastructure within new property developments and fees collected for new connection and tap fees. The City accepts responsibility for the maintenance of water and sewer lines, and streets one year after the completion of any new subdivision or development within the City. Upon acceptance of this responsibility, the City records the value of these improvements as contributed capital. There were no contributed capital infrastructure additions during the fiscal year ended June 30, 2021.

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 14 – Significant Financial Influence

The City is located adjacent to Fort Campbell Military Base. Significant changes in operations or the size of the base or its personnel could have a financial impact upon the City. Management is not aware of any plans by the Federal Government for significant changes to the base.

#### Note 15 – Risk Management

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

#### Note 16 – Note Receivable-HWEA

During the year ended June 30, 2008, the City entered into an agreement to sell the City's sewer system to the Hopkinsville Sewerage and Water Works Commission (HWEA). The total sale price amounted to \$6,986,762, which included cash payments of \$3,627,602 and debt assumption by HWEA of \$3,359,160. See Note 19 – Contingencies for disclosure regarding assumption of sewer system debt.

The cash portion of the sale agreement was financed over a period of four years. A summary of the activity for the fiscal year ended June 30, 2021 follows:

	Cash Financing	Debt Assumption	Totals
Note Balance July 1, 2020	\$ -	\$ 95,000	\$ 95,000
Release by creditors of liability transferred to HWEA	-	95,000	95,000
Note Balance June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 17 – Note Receivable-Tourism Convention Center

Effective September 27, 2005, the City executed a long-term lease, with the Kentucky League of Cities Funding Trust, for a new Convention Center. The lease agreement required 344 monthly payments beginning October 1, 2005 and ending May 1, 2034. On September 27, 2005, the Convention Center was subleased to the Tourism Commission. The sublease required monthly lease payments from the Tourism Commission to the City in amounts equal to the lease payments due to the Kentucky League of Cities Funding Trust.

Effective October 2, 2009, the City executed a second long-term lease with the Kentucky League of Cities Funding Trust related to the Convention Center. The lease agreement required 240 monthly payments beginning November 1, 2009 and ending October 1, 2029. On October 2, 2009, the Convention Center was subleased to the Tourism Commission. The sublease required monthly lease payments from the Tourism Commission to the City in amounts equal to the lease payments due to the Kentucky League of Cities Funding Trust.

*[The remainder of this page has been intentionally left blank.]*

*See independent auditor's report.*

# CITY OF OAK GROVE, KENTUCKY

## Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

### Note 17 – Note Receivable-Tourism Convention Center (continued)

	2005 Lease	2009 Lease	Totals
Sublease balance - beginning of year	\$ 1,493,446	\$ 2,590,630	\$ 4,084,076
Less payments made by Tourism			
Commission during the fiscal year	86,074	228,659	314,733
Sublease balance - end of year	1,407,372	2,361,971	3,769,343
Unamortized lease discount	-	(34,898)	(34,898)
Sublease balance - end of year	<u>\$ 1,407,372</u>	<u>\$ 2,327,073</u>	<u>\$ 3,734,445</u>

Presented on the statement of net position  
under the following captions:

Note Receivable:

Within one year	\$ 323,583
More than one year	3,410,862
	<u>\$ 3,734,445</u>

Future minimum sublease payments to be received from the Tourism Commission:

Year Ending June 30	Principal	Interest/ Administrative	Total Lease Payments
2022	\$ 327,813	\$ 127,504	\$ 455,317
2023	341,552	115,478	457,030
2024	355,757	102,947	458,704
2025	370,364	89,903	460,267
2026	386,273	76,308	462,581
2027-2031	1,642,028	174,413	1,816,441
2032-2034	345,556	18,144	363,700
	<u>\$ 3,769,343</u>	<u>\$ 704,697</u>	<u>\$ 4,474,040</u>

### Note 18 - Commitments

On May 2, 2000, the City entered into an agreement (effective January 1, 2003) with the Logan Todd Regional Water Commission (the Commission), whereby the Commission agrees to sell and deliver to the City, and the City agrees to purchase and receive from the Commission, substantially all the water required by the City. Under the contract, the City pays the Commission a minimum rate of \$59,411 for the first 25,831,000 gallons of water needed each month, and an additional \$2.30 per each additional 1,000 gallons used each month. The agreement covers a period of 50 years and expires in 2053.

### Note 19 - Contingencies

Under the terms of federal and state grants, periodic audits are required the certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes that disallowances, if any, will not be significant.

See independent auditor's report.

## **CITY OF OAK GROVE, KENTUCKY**

### **Notes to the Financial Statements (continued) For the Year Ended June 30, 2021**

---

#### **Note 19 – Contingencies (continued)**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City, with the following exception. A litigation involving the City is such that an adverse judgment and the cost of legal defense could be substantial. The amount of any contingent liability cannot be determined at this time. The City intends to vigorously defend its position in each lawsuit.

#### **Sewer Debt Assumed by HWEA**

HWEA assumed the City's sewer debt obligations as part of the sale agreement. The agreement states that the HWEA will make annual indebtedness payments as required by the various loans and bonds held by the City until HWEA can refinance the current indebtedness. HWEA will indemnify and hold the City harmless from the foregoing debts if the City is in compliance with the terms of the sale contract. The City is prohibited from obtaining additional indebtedness on the above - mentioned sewer system. The City further covenants that there are no other debts, liens, or encumbrances associated with the sewer system.

The HWEA refunded two Kentucky Rural Finance revenue bonds assumed in the sale agreement during the year June 30, 2015 using proceeds from a general obligation bond issued by the City of Hopkinsville, Kentucky, on behalf of HWEA. The refunding relieved the City's liability from the debt obligations.

At June 30, 2021 the City no longer remains liable for the 1998 Waterworks Revenue Refunding Bonds assumed by HWEA. The final payment on the debt was made in fiscal year 2021.

#### **Claims Payable - Excess Storm Water Funds**

The City's storm water cash balance is in excess of the \$250,000 maximum balance as set forth in Ordinance No. 2012-08. Accordingly, the City approved Ordinance No. 2020-04 to refund the excess storm water fees to customers. Customers have until October 2021 to file a claim with the City to receive their refund. As of June 30, 2020, the accrued claims payable balance was \$181,729.

#### **Note 20 – Interfund Receivables, Payables, and Transfers**

At times throughout the year, interfund receivables and payables exist. At June 30, 2021, there were interfund receivables in the general fund totaling \$30,068 from the water fund. The outstanding balance between funds represented tax collections deposited into the water fund that were owed to the general fund.

During 2021, the sewer fund transferred out \$72,119 to the water fund related to the completion of the debt assumed by HWEA.

*[The remainder of this page has been intentionally left blank.]*

## CITY OF OAK GROVE, KENTUCKY

### Notes to the Financial Statements (continued) For the Year Ended June 30, 2021

---

#### Note 21 – Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this standard are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92 was issued in January 2020 and is an "omnibus" statement that amends existing standards covering multiple pronouncements that individually would not justify a separate project. The effective dates vary by topic, with the earliest being reporting periods beginning after June 15, 2021.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020 to provide guidance to facilitate the transition from using Interbank Offered Rates in hedging derivative instruments and leases, and was prompted by the expectation that LIBOR in its current form is expected to effectively sunset at the end of 2021. GASB 93 will be effective for reporting periods beginning after June 15, 2021.

GASB issued Statement No. 94 in March 2020, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to provide guidance for certain partnerships and arrangements that are not otherwise subject to current GASB standards. This statement is effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued in May 2020 in order to postpone the effective dates of certain Statement and Implementation Guide provisions as a result of the impact of the COVID-19 pandemic.

*See independent auditor's report.*

## **CITY OF OAK GROVE, KENTUCKY**

### **Notes to the Financial Statements (continued) For the Year Ended June 30, 2021**

---

#### **Note 21 – Recently Issued Accounting Pronouncements (continued)**

In May 2020 GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* was issued to provide accounting and financial reporting for subscription-based information technology arrangements based on the standards established in Statement No. 87, *Leases*. The statement requires governments to recognize such subscription-based arrangements as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability (with an exception for short-term agreements with maximum possible terms of 12 months). This statement is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* was issued in June 2020 and is effective for reporting periods beginning after June 15, 2021. This statement provides additional guidance and clarity on the criteria for determining and reporting component unit information in government financial statements.

The City is evaluating the requirements of the above statements and the impact on reporting.

#### **Note 22 – Subsequent Events**

Management has evaluated subsequent events through December 7, 2022, the date the financial statements were available to be issued.

**CITY OF OAK GROVE, KENTUCKY**

**Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes and licenses	\$ 3,772,000	\$ 3,912,000	\$ 4,359,168	\$ 447,168
Charges for services	33,060	33,060	8,102	(24,958)
Grants	282,500	817,882	951,479	133,597
Fines and forfeitures	20,000	20,000	15,383	(4,617)
Intergovernmental	162,500	162,500	156,319	(6,181)
Interest income	5,000	5,000	4,438	(562)
Miscellaneous	<u>136,370</u>	<u>135,870</u>	<u>199,207</u>	<u>63,337</u>
<b>Total Revenues</b>	<u>4,411,430</u>	<u>5,086,312</u>	<u>5,694,096</u>	<u>607,784</u>
<b>Expenditures</b>				
Current				
General government	747,400	912,121	989,520	(77,399)
Public safety	2,541,853	2,926,956	2,439,942	487,014
Public works	151,849	184,003	206,998	(22,995)
Parks and recreation	199,093	196,722	133,870	62,852
Debt Service				
Principal	337,107	337,107	346,365	(9,258)
Interest	52,255	52,255	35,729	16,526
Capital Outlays	<u>790,000</u>	<u>1,249,068</u>	<u>480,199</u>	<u>768,869</u>
<b>Total Expenditures</b>	<u>4,819,557</u>	<u>5,858,232</u>	<u>4,632,623</u>	<u>1,225,609</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(408,127)</u>	<u>(771,920)</u>	<u>1,061,473</u>	<u>1,833,393</u>
<b>Other Financing Sources</b>				
Sale of property	-	-	30,000	30,000
Transfers in	<u>408,127</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>408,127</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (771,920)</u>	<u>1,091,473</u>	<u>\$ 1,863,393</u>
<b>Fund Balances - Beginning</b>			<u>4,416,753</u>	
<b>Fund Balances - Ending</b>			<u>\$ 5,508,226</u>	



**CITY OF OAK GROVE, KENTUCKY**

**Schedule of the City's Proportionate Share of the Net Pension Liability  
County Employee's Retirement System  
Last 10 Fiscal Years Ending June 30**

<u>Non-Hazardous</u>							
	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.029049%	0.022014%	0.031409%	0.037110%	0.042729%	0.034328%	0.046944%
City's proportionate share of the net pension liability (asset)	\$ 2,228,034	\$ 1,548,254	\$ 1,912,904	\$ 2,172,162	\$ 2,103,834	\$ 1,475,960	\$ 1,523,041
City's covered-employee payroll	724,654	1,023,665	845,953	919,005	1,297,242	1,303,541	1,352,945
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	307.46%	151.25%	226.12%	236.36%	162.18%	113.23%	112.57%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
<u>Hazardous</u>							
	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.164369%	0.131164%	0.122927%	0.121350%	0.103267%	0.089884%	0.097915%
City's proportionate share of the net pension liability (asset)	\$ 4,955,772	\$ 3,623,137	\$ 2,972,937	\$ 2,714,937	\$ 1,772,006	\$ 1,379,808	\$ 1,176,772
City's covered-employee payroll	1,072,579	1,189,723	819,972	766,288	619,719	736,982	697,834
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	462.04%	304.54%	362.57%	354.30%	285.94%	187.22%	168.63%
Plan fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.50%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CITY OF OAK GROVE, KENTUCKY**

**Schedule of the City's Pension Contributions  
County Employee's Retirement System  
Fiscal Years Ending June 30**

Non-Hazardous

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 147,146	\$ 143,666	\$ 100,289	\$ 122,494	\$ 128,201	\$ 138,825	\$ 100,046
Contributions in relation to the contractually required contribution	<u>(147,146)</u>	<u>(143,666)</u>	<u>(100,289)</u>	<u>(122,494)</u>	<u>(128,201)</u>	<u>(138,825)</u>	<u>(100,046)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll*	\$ 735,560	\$ 724,654	\$ 1,023,665	\$ 845,953	\$ 919,005	\$ 1,297,242	\$ 1,303,541
Contributions as a percentage of covered-employee payroll	20.00%	19.83%	9.80%	14.48%	13.95%	10.70%	7.67%

Hazardous

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 271,154	\$ 324,206	\$ 248,408	\$ 182,034	\$ 168,532	\$ 124,196	\$ 112,106
Contributions in relation to the contractually required contribution	<u>(271,154)</u>	<u>(324,206)</u>	<u>(248,408)</u>	<u>(182,034)</u>	<u>(168,532)</u>	<u>(124,196)</u>	<u>(112,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll*	\$ 886,335	\$ 1,072,579	\$ 1,189,723	\$ 819,972	\$ 766,288	\$ 619,719	\$ 736,982
Contributions as a percentage of covered-employee payroll	30.59%	30.23%	20.88%	22.20%	21.99%	20.04%	15.21%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CITY OF OAK GROVE, KENTUCKY**

**Schedule of the City's Proportionate Share of the Net OPEB Liability  
County Employee's Retirement System  
Last 10 Fiscal Years Ending June 30**

<u>Non-Hazardous</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.029358%	0.022008%	0.031407%	0.037110%
City's proportionate share of the net OPEB liability (asset)	\$ 708,906	\$ 370,165	\$ 557,625	\$ 746,038
City's covered-employee payroll	724,654	1,023,665	845,953	919,005
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	97.83%	36.16%	65.92%	81.18%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%
<u>Hazardous</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.166506%	0.131138%	0.122933%	0.121350%
City's proportionate share of the net OPEB liability (asset)	\$ 1,538,691	\$ 970,237	\$ 876,462	\$ 1,003,166
City's covered-employee payroll	1,072,579	1,189,723	819,972	766,288
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	143.46%	81.55%	106.89%	130.91%
Plan fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	59.00%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CITY OF OAK GROVE, KENTUCKY**

**Schedule of the City's OPEB Contributions  
County Employee's Retirement System  
Fiscal Years Ending June 30**

Non-Hazardous

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 36,291	\$ 35,433	\$ 32,523	\$ 39,760	\$ 43,469
Contributions in relation to the contractually required contribution	<u>(36,291)</u>	<u>(35,433)</u>	<u>(32,523)</u>	<u>(39,760)</u>	<u>(43,469)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll*	\$ 735,560	\$ 724,654	\$ 1,023,665	\$ 845,953	\$ 919,005
Contributions as a percentage of covered-employee payroll	4.93%	4.89%	3.18%	4.70%	4.73%

Hazardous

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 85,874	\$ 102,676	\$ 104,577	\$ 76,667	\$ 72,583
Contributions in relation to the contractually required contribution	<u>(85,874)</u>	<u>(102,676)</u>	<u>(104,577)</u>	<u>(76,667)</u>	<u>(72,583)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll*	\$ 886,335	\$ 1,072,579	\$ 1,189,723	\$ 819,972	\$ 766,288
Contributions as a percentage of covered-employee payroll	9.69%	9.57%	8.79%	9.35%	9.47%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

## CITY OF OAK GROVE, KENTUCKY

### Notes to Required Supplementary Information on Pension and OPEB Schedules For the Year Ended June 30, 2021

---

#### County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan

##### Pension Plan

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

*Changes of Assumptions:* In the June 30, 2019, 2017, and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases		3.05%	4.00%	4.50%
Non-Hazardous	3.30% to 10.30%			
Hazardous	3.55% to 19.05%			
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2015 actuarial valuations, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuations, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

## CITY OF OAK GROVE, KENTUCKY

### Notes to Required Supplementary Information on Pension and OPEB Schedules (continued) For the Year Ended June 30, 2021

---

#### Other Post-Employment Benefits

*Changes of Benefit Terms:* During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB Liability beginning June 30, 2018 is determined using the updated benefit provisions.

*Changes of Assumptions:* In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made:

	<u>June 30, 2019</u>	<u>June 30, 2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases		3.05%
Non-Hazardous	3.30% to 10.30%	
Hazardous	3.55% to 19.05%	
Investment Rate of Return	6.25%	6.25%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 the MP-2014 mortality improvement scale using a base year of 2019. 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.

Beginning with the June 30, 2017 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

BORLAND  
BENEFIELD**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 Oak Grove, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oak Grove, 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 and have issued our report thereon dated December 7, 2022. Our report includes a reference to other auditors who audited the financial statements of the Oak Grove Tourism and Convention Commission (the Tourism Commission), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-1 that we consider to be a material weakness.

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Oak Grove, Kentucky's Response to Findings**

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

## **Purpose of this Report**

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



Borland Benefield, P.C.  
Birmingham, Alabama  
December 7, 2022



**CITY OF OAK GROVE, KENTUCKY**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

---

**2021-1 – Segregation of Duties and Oversight of Accounting Functions**

*Criteria:* Management is responsible for the preparation and fair presentation of the City's financial statements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Ideally, the key functions of an accounting system should be segregated. This is a repeat finding.

*Condition:* During our audit we identified accounting functions being performed that lacked adequate segregation amongst the staff without proper mitigations or review. Specifically, one or more City employees associated with the custody of assets records journal entries to the general ledger and reconciles internal accounting records. These functions are incompatible as they involve the custody of the asset, recording of transactions and subsequent reconciliation of those transactions. Additionally, there were no documented review and approvals by an individual outside of that accounting function.

*Cause:* Due to a limited number of staff and significant turnover of personnel in the Finance Department within the fiscal year, incompatible work functions were often performed by the same individual and lacked the appropriate review and approval by an individual outside of that accounting function.

*Effect:* A lack of segregation of duties increases the risk of material misstatements and that such material misstatements would not be quickly identified. As a result, material adjusting journal entries were required to correct certain financial statement accounts.

*Recommendation:* We recommend that the functions associated with the custody of assets be segregated from the functions associated with the accounting for and recording transactions to the extent possible through staff assignments and secondary approvals.

*Management's Response:* Management is in agreement with our recommendation.