

CITY OF TAYLORSVILLE, KENTUCKY

FINANCIAL STATEMENTS

JUNE 30, 2020



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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MayorMatt Douglas
CommissionerKathy Spears
Commissioner Beverly Ingram
Commissioner Ellen Shelburne
Commissioner Abbi Nation

City ClerkSteve Biven
Co-treasurerJan Merzweiler
Co-treasuter Kim Forrest
Public Works DiretorHarold Compton
Police Chief Brian Sumner

INDEPENDENT AUDITOR'S REPORT

Member of City Commission
City of Taylorsville, Kentucky
Taylorsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Taylorsville, Kentucky (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City, as of June 30, 2020, 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 on pages 4 to 7, budgetary comparison schedules on pages 39 to 43, and pension and OPEB schedules, on pages 44 to 50, 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 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the schedules of fund activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 17, 2020



As management of the City of Wilder, Kentucky, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceed the liabilities and deferred inflows by \$19,452,118 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was a deficit of \$399,423. The City is required to provide postemployment benefits to its employees. As a result, the City has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2020, the City had liabilities of \$3,778,741 for postemployment benefits, which has caused the deficit balance in the unrestricted net position.
- The City's total net position increased \$167,109.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,580,800, an increase of \$213,336 from the prior year. Of this amount, \$1,465,190 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the current fiscal year, the unassigned fund balance was approximately 162% of total fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also included supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The statement of activities presents information showing how the City net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

The governmental activities of the City include general government, police, fire, public works, and recreation.

The government-wide financial statements can be found on pages 8-9 of this report

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have be segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, the City may establish other funds to help it control and manage money for particular purposes.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government 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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road fund, capital fund, and the building fund which are considered to be major funds.

The City adopts an annual appropriated budget for each of the major funds. A budgetary comparison schedule has been provided for each major fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 10-16 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-38 of this report.

OTHER INFORMATION

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 39-49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

	2020	2019
Assets		
Current and other assets	\$ 7,256,845	\$ 6,633,648
Capital assets	23,918,812	24,196,325
Total assets	31,175,657	30,829,973
Deferred outflows of resources	1,069,514	925,157
Liabilities		
Current liabilities	273,198	608,640
Long-term liabilities	12,153,544	11,468,036
Total liabilities	12,426,742	12,076,676
Deferred inflows of resources	366,311	393,445
Net position		
Net investment in capital assets	15,797,242	16,164,474
Restricted	4,054,299	\$ 3,911,912
Unrestricted	(399,423)	(791,377)
Total net position	\$ 19,452,118	\$ 19,285,009

Changes in Net Position

	2020	2019
Revenues		
Taxes	\$ 544,865	\$ 544,261
Licenses and permits	293,896	294,466
Intergovernmental	64,025	47,890
Charges for services	5,233,345	4,803,776
Franchise fees	69,470	71,850
Interest income	16,477	14,364
Other revenue	270,221	367,122
Total revenues	6,492,299	6,143,729
Expenses		
General government	223,906	401,989
Police	611,528	614,855
Sanitation	94,167	88,584
Streets	74,439	78,960
Water	4,606,162	4,382,824
Sewer	714,988	679,546
Total expenses	6,325,190	6,246,758
Decrease in net position	167,109	(103,029)
Net position - beginning	19,285,009	19,388,038
Net position - ending	\$ 19,452,118	\$ 19,285,009

CAPITAL ASSETS

Capital Assets Net of Depreciation

	2020	2019
Governmental activities	\$ 863,318	\$ 900,520
Business-type activities	23,055,494	23,295,805
Total capital assets	\$ 23,918,812	\$ 24,196,325

LONG-TERM DEBT

General Obligation Bonds

	2020	2019
Revenue bonds outstanding	\$ 8,121,570	\$ 8,031,851

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Clerk, 70 Taylorsville Road, Taylorsville, Kentucky 40071.

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	\$ 1,379,398	\$ 1,070,239	\$ 2,449,637
Cash and cash equivalents - restricted	115,610	3,938,689	4,054,299
Receivables	108,056	302,063	410,119
Intergovernmental receivables	1,982		1,982
Inventories		340,808	340,808
Nondepreciable capital assets	75,416	471,118	546,534
Depreciable capital assets	787,902	22,584,376	23,372,278
Total assets	2,468,364	28,707,293	31,175,657
Deferred outflows of resources			
Pension related	188,669	568,484	757,153
OPEB related	82,554	229,807	312,361
Total deferred outflows	271,223	798,291	1,069,514
Liabilities			
Accounts payable	8,721	35,026	43,747
Accrued liabilities	13,867	69,371	83,238
Customer deposits		146,213	146,213
Noncurrent liabilities:			
Due within one year			
Interest payable		147,400	147,400
Bonds payable		255,469	255,469
Compensated absences	28,488	77,245	105,733
Due in more than one year			
Bonds payable		7,866,101	7,866,101
Net pension liability	681,845	2,352,061	3,033,906
Net OPEB liability	182,590	562,345	744,935
Total liabilities	915,511	11,511,231	12,426,742
Deferred inflows of resources			
Deferred inflows related to pensions	24,524	93,005	117,529
Deferred inflows related to OPEB	48,399	200,383	248,782
Total deferred inflows	72,923	293,388	366,311
Net position			
Net investment in capital assets	863,318	14,933,924	15,797,242
Restricted	115,610	3,938,689	4,054,299
Unrestricted	772,225	(1,171,648)	(399,423)
Total net position	\$ 1,751,153	\$ 17,700,965	\$ 19,452,118

See accompanying notes to financial statements.

Augusta Independent School District
Statement of Activities
Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities	Expenses						
General government	\$ 223,906	\$	\$ 1,497	\$	\$ (222,409)	\$	\$ (222,409)
Public safety - police	611,528	22,575	39,192		(549,761)		(549,761)
Sanitation	94,167	92,021			(2,146)		(2,146)
Streets	74,439		23,336		(51,103)		(51,103)
Total governmental activities	1,004,040	114,596	64,025	0	(825,419)	0	(825,419)
Business-type activities							
Water services	4,606,162	4,551,967		236,436		182,241	182,241
Sewer services	714,988	566,782				(148,206)	(148,206)
Total business-type activities	5,321,150	5,118,749	0	236,436	0	34,035	34,035
Total City	\$ 6,325,190	\$ 5,233,345	\$ 64,025	\$ 236,436	(825,419)	34,035	(791,384)
General revenues							
					200,274		200,274
Property tax					293,896		293,896
Licenses and permits					344,591		344,591
Occupational license tax					69,470		69,470
Franchise fees					1,405	15,072	16,477
Interest					1,810	31,822	33,632
Other revenues					153		153
Gain on sale of assets							
Total general revenues					911,599	46,894	958,493
Change in net position					86,180	80,929	167,109
Net position - beginning					1,664,973	17,620,036	19,285,009
Net position - ending					\$ 1,751,153	\$ 17,700,965	\$ 19,452,118

See accompanying notes to financial statements.

	General Fund	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents - unrestricted	\$ 1,379,398	\$	\$ 1,379,398
Cash and cash equivalents - restricted	2,582	113,028	115,610
Receivables	108,056		108,056
Intergovernmental receivable	1,982		1,982
Total assets	\$ 1,492,018	\$ 113,028	\$ 1,605,046
Liabilities			
Accounts payable	\$ 8,721	\$	\$ 8,721
Accrued liabilities	13,867		13,867
Deferred revenue	1,658		1,658
Total liabilities	24,246	0	24,246
Fund balances			
Restricted	2,582	113,028	115,610
Unassigned	1,465,190	0	1,465,190
Total fund balances	1,467,772	113,028	1,580,800
Total liabilities and fund balances	\$ 1,492,018	\$ 113,028	\$ 1,605,046

See accompanying notes to financial statements.

City of Taylorsville, Kentucky
Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position
June 30, 2020

Total governmental fund balances	\$ 1,580,800
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$1,771,929 net of accumulated depreciation of \$908,611 used in governmental activities are not financial resources and, therefore, are not reported in the funds.	863,318
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Deferred outflows and inflows of resources related to post-retirement benefits (pension and OPEB) are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - pension related	188,669	
Deferred outflows - OPEB related	82,554	
Deferred inflows - pension related	(24,524)	
Deferred inflows - OPEB related	(48,399)	
		198,300

Assets not available for current use are not reported in the funds	1,658
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability	(681,845)	
Net OPEB liability	(182,590)	
Compensated absences	(28,488)	
		(892,923)

Net position of governmental activities	\$ 1,751,153
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See accompanying notes to financial statements.

City of Taylorsville, Kentucky
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2020

	General Fund	Special Revenue	Total Governmental Funds
Revenues			
Property tax	\$ 202,128	\$	\$ 202,128
Licenses and permits	293,896		293,896
Occupational license tax	344,591		344,591
Intergovernmental	21,092	15,188	36,280
Franchise fees	69,470		69,470
Charges for services	92,021		92,021
School resource officer	22,575		22,575
Grant proceeds	27,746		27,746
Interest	1,299	106	1,405
Other	1,808		1,808
Total revenues	1,076,626	15,294	1,091,920
Expenditures			
Current			
General government	200,479		200,479
Public safety -police	475,319		475,319
Public safety - fire	0		0
Sanitation	94,167		94,167
Streets	72,878		72,878
Capital outlay			
General government	5,116		5,116
Public safety -police	51,625		51,625
Total expenditures	899,584	0	899,584
Net change in fund balances	177,042	15,294	192,336
Other financing sources (uses)			
Sale of assets	21,000		21,000
Total other financing sources (uses)	21,000	0	21,000
Net change in fund balances	198,042	15,294	213,336
Beginning fund balances	1,269,730	97,734	1,367,464
Ending fund balances	\$ 1,467,772	\$ 113,028	\$ 1,580,800

See accompanying notes to financial statements.

City of Taylorsville, Kentucky
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to Statement of Activities
June 30, 2020

Net change in fund balances - total governmental funds	\$ 213,336
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Governmental funds also report only the proceeds from the sales of capital assets while the net gain or loss is reported in the statement of activities:

Capital outlay	56,741	
Depeciation expense	(73,096)	
Net sale and disposals of assets	(20,847)	
		(37,202)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds.	(1,853)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Changes in pension liabilities and related deferred outflows and inflows	(76,511)	
Changes in OPEB liabilities and related deferred outflows and inflows	(8,585)	
		(85,096)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(3,005)
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Change in net position of governmental activities	\$ 86,180
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See accompanying notes to financial statements.

	Utility Fund
Assets	
Current assets	
Cash and cash equivalents - unrestricted	\$ 1,070,239
Cash and cash equivalents - restricted	3,938,689
Customer receivables	302,063
Inventories	340,808
Nondepreciable capital assets	471,118
Depreciable capital assets, net	22,584,376
Total assets	28,707,293
Deferred outflows of resources	
Pension related	568,484
OPEB related	229,807
Total deferred outflows of resources	798,291
Liabilities	
Accounts payable	35,026
Accrued expenses	69,371
Customer deposits	146,213
Noncurrent liabilities:	
Due within one year	
Interest payable	147,400
Bonds payable	255,469
Compensated absences	77,245
Due in more than one year	
Bonds payable	7,866,101
Net pension liability	2,352,061
Net OPEB liability	562,345
Total liabilities	11,511,231
Deferred inflows of resources	
Pension related	93,005
OPEB related	200,383
Total deferred inflows of resources	293,388
Net position	
Net investment in capital assets	14,933,924
Restricted for:	
Debt service	286,093
Water/sewer operation	3,516,654
Unrestricted	(1,035,706)
Total net position	\$ 17,700,965

See accompanying notes to financial statements.

City of Taylorsville, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2020

	Utility Fund
Operating revenues	
Water revenue	\$ 4,551,967
Sewer revenue	566,782
Total operating revenues	5,118,749
Operating expenses	
Water services	3,675,151
Sewer services	409,130
Total operating expenses	4,084,281
Operating income before depreciation	1,034,468
Depreciation	952,692
Operating income	81,776
Non-operating income (expense)	
Grant revenue	236,436
Interest income	15,072
Other revenue	31,822
Interest expense	(284,178)
Total non-operating income (expense)	(848)
Change in net position	80,928
Net position - beginning	17,620,037
Net position - ending	\$ 17,700,965

See accompanying notes to financial statements.

	Utility Fund
Cash flows from operating activities	
Receipts from customers	\$ 4,759,396
Payments to suppliers and service providers	(2,797,642)
Payments to employees for salaries and benefits	(1,053,855)
Payments to general government	(92,021)
Net cash provided by operating activities	815,878
Cash flows from capital and related financing activities	
Acquisition of property	(712,381)
Principal payments on bonds	(246,809)
Borrowings	336,528
Interest payments on bonds	(262,700)
Cash received from grants	236,436
Net cash used by capital and related financing activities	(648,926)
Cash flows from investing activities	
Other cash receipts	31,822
Cash received from interest income	15,072
Net cash provided by investing activities	46,894
Net increase in cash and cash equivalents	213,846
Cash and cash equivalents, beginning of year	4,795,082
Cash and cash equivalents, end of year	\$ 5,008,928

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

These financial statements of the City of Taylorsville, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The City operates under a Mayor-Commission form of government consisting of the Mayor and four city commission members. The City's major operations include fire and police protection, street maintenance, and general administrative services. In addition, the City operates a water and sewer system and provides solid waste collection. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

related to water and sewer operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.

Municipal Road Aid Fund – The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.

Proprietary Fund Types

Utility Fund – The utility fund accounts for the City's water and sewer activities. The utility fund is a major fund of the City

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

Deferred Outflows of Resources – Pension and OPEB

The City reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred outflows of resources for contributions made to the City's defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of City's fiscal year and (2) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

Deferred Inflows of Resources – Pension and OPEB

The City reports increases in net position that relates to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred inflows of resources reported in the financial statements arise from changes in the expected and actual experiences for the plan and for changes in assumptions. The deferred inflows related to these changes will be recognized in future periods.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as the are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net OPEB Liability

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as the are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - amounts are intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

Revenues

Exchange and Nonexchange Transactions

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions

Transactions in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is 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 fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund Balances

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting - The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the City Council.

Subsequent Events

The City evaluated subsequent events for potential recognition and disclosure through November 17, 2020, the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

The City maintains the following governmental activity cash accounts:

	<u>Non-restricted</u>	<u>Restricted</u>
General fund checking	\$ 1,379,398	\$
Sidewalk project		82
Street drainage		2,500
Municipal aid checking		113,028
<u>Total governmental funds cash</u>	<u>\$ 1,379,398</u>	<u>\$ 115,610</u>

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NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

The City maintains the following business-type activity cash accounts:

	Non-restricted	Restricted
Water and sewer money market	\$ 369,282	\$
Operation and maintenance checking	699,972	
Revenue checking		(2,811)
Bridge projects		82
Escrow checking		129,250
Water and sewer extension checking		9,468
Bond and interest checking		375,669
Depreciation money market		3,407,907
Bloomfield Road water system		81
Customer rebate checking		811
Normandy waterline relocate		82
Meter set and supplemental checking		18,150
Subtotal	1,069,254	3,938,689
Cash on hand	485	
Petty cash	500	
Total proprietary fund cash	\$ 1,070,239	\$ 3,938,689

Concentrations of Credit Risk

The City has reduced its concentration of credit risk by depositing City funds in several federally insured financial institutions. As of June 30, 2020, City funds were deposited in three (3) area financial institutions; Citizens Union Bank 43%, Commonwealth Bank and Trust 51%, and The Peoples Bank 6%.

At June 30, 2020, the carrying value of the City of Taylorsville's deposits was \$6,636,073. The Federal Deposit Insurance Corporation (FDIC) insures the first \$250,000 of the total of deposits in financial institutions. Total deposited funds in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City by Citizens Union Bank, Commonwealth Bank and Trust Company, and The Peoples Bank.

Financial Institution	Deposits	FDIC Insured	Securities Market Value	Surplus
Citizens Union Bank	\$ 2,895,509	\$ 250,000	\$ 3,043,475	\$ 397,966
Commonwealth Bank	\$ 3,372,156	\$ 250,000	\$ 3,734,784	\$ 612,628
The Peoples Bank	\$ 368,408	\$ 250,000	\$ 151,810	\$ 33,402

Custodial Credit Risk

Kentucky Revised Statutes (KRS) authorizes municipalities to invest in obligations of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

The Ordinances authorizing the Waterworks and Sewer System revenue bonds require that the City of Taylorsville establish a sinking fund and a depreciation reserve fund.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

The sinking fund is funded in an amount not less than the maximum annual requirements for the payment of principal and interest on all revenue bonds. The sinking fund has a balance of \$375,669 as of June 30, 2020 and is considered fully funded.

The depreciation reserve fund is to be funded monthly from the revenue fund until fully funded at \$485,440. The balance in the depreciation reserve as of June 30, 2020 is \$3,012,276 and is considered fully funded.

Financial Institution	Deposits	FDIC Insured	Securities Market Value	Surplus
Citizens Union Bank	\$ 2,895,509	\$ 250,000	\$ 3,043,475	\$ 397,966
Commonwealth Bank	\$ 3,372,156	\$ 250,000	\$ 3,734,784	\$ 612,628
The Peoples Bank	\$ 368,408	\$ 250,000	\$ 151,810	\$ 33,402

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is summarized below:

Governmental Activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets				
Land	\$ 75,416	\$ 0	\$ 0	\$ 75,416
Buildings and improvements	1,094,453			1,094,453
Vehicles	468,842	46,295	36,789	478,348
Equipment	113,266	10,446	0	123,712
Total capital assets	1,751,977	56,741	36,789	1,771,929
Less accumulated depreciation for				
Buildings	382,065	28,864		410,929
Vehicles	361,178	41,025	15,942	386,261
Equipment	108,214	3,207		111,421
Total accumulated depreciation	851,457	73,096	15,942	908,611
Capital assets, net	\$ 900,520	\$ (16,355)	\$ 20,847	\$ 863,318

Depreciation was charged to the following government funds:

General government	\$ 23,427
Public safety - police	48,108
Streets	1,561
Total depreciation	\$ 73,096

NOTE 3: CAPITAL ASSETS (CONTINUED)

Business-type activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets				
Land	\$ 471,118	\$	\$	\$ 471,118
Buildings and improvements	672,195	7,966		680,161
Machinery and equipment	444,936	24,627		469,563
Vehicles, water	675,748	93,879		769,627
Vehicles, sewer	53,896			53,896
Louisville line project	3,849,395			3,849,395
Phase I water distribution system	2,575,753			2,575,753
Phase II water distribution system	4,158,606			4,158,606
Phase III water distribution system	3,336,509			3,336,509
Phase IV water distribution system	576,194			576,194
Water system	11,916,511	585,909		12,502,420
Sewer system	5,278,730			5,278,730
Waste water upgrade	3,901,744			3,901,744
Total capital assets being depreciated	37,911,335	712,381	0	38,623,716
Less accumulated depreciation for				
Buildings and improvements	446,852	18,274		465,126
Machinery and equipment	427,875	6,111		433,986
Vehicles, water	541,511	48,542		590,053
Vehicles, sewer	53,896			53,896
Louisville line project	2,192,542	95,610		2,288,152
Phase I water distribution system	998,105	64,394		1,062,499
Phase II water distribution system	1,264,889	103,965		1,368,854
Phase III water distribution system	837,081	83,412		920,493
Phase IV water distribution system	126,833	14,406		141,239
Water system	4,046,113	281,398		4,327,511
Sewer system	2,951,261	139,037		3,090,298
Waste water upgrade	728,572	97,543		826,115
Total accumulated depreciation	14,615,530	952,692	0	15,568,222
Capital assets, net	\$ 23,295,805	\$ (240,311)	\$ 0	\$ 23,055,494

Depreciation was charged to the following proprietary funds:

Water	\$ 668,882
Sewer	232,417
Total depreciation	\$ 901,299

NOTE 4: RECEIVABLES

As of June 30, 2020, the receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 3,821	\$
Insurance tax	28,712	
Occupational tax	67,375	
Other	8,148	
Customer accounts		302,063
Total receivables	\$ 108,056	\$ 302,063
 KLEFPF	 \$ 1,982	 \$
Intergovernmental receivables	\$ 1,982	\$ 0

NOTE 5: LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance 7/1/2019	Borrowings	Repayments	Balance 6/30/2020	Amounts Due Within One Year
Revenue bonds					
Kentucky Infrastructure Authority					
F02-03	\$ 301,379	\$ 0	\$ (65,809)	\$ 235,570	\$ 66,469
Rural Development Agency					
Series 1994 A 92-07	407,000	0	(19,000)	388,000	20,000
Series 1998 91-10	1,327,000	0	(42,000)	1,285,000	45,000
Series 2001 92-12	526,000	0	(15,000)	511,000	15,000
Series 2004 91-13	1,372,500	0	(32,000)	1,340,500	33,500
Series 2008 County	1,195,000	0	(21,000)	1,174,000	22,000
Series 2008 City	177,000	0	(3,000)	174,000	3,500
Series 2011 A	767,500	0	(16,500)	751,000	17,000
Series 2011 B	493,000	0	(10,500)	482,500	10,500
Series 2019 County	998,103	291,897	(14,000)	1,276,000	14,500
Series 2019 City	467,369	44,631	(8,000)	504,000	8,000
Total long-term liabilities	\$ 8,031,851	\$ 336,528	\$ (246,809)	\$ 8,121,570	\$ 255,469

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Future minimum principal and interest payments are as follows:

Year Ended			
June 30	Principal	Interest	Total
2021	255,469	295,840	551,309
2022	263,134	287,588	550,722
2023	272,808	279,092	551,900
2024	245,659	270,215	515,874
2025	221,500	261,081	482,581
2026-2030	1,253,500	1,159,037	2,412,537
2031-2035	1,496,000	893,648	2,389,648
2036-2040	1,557,000	572,022	2,129,022
2041-2045	1,093,000	310,570	1,403,570
2046-2050	770,500	150,496	920,996
2051-2055	383,000	70,202	453,202
2056-2059	310,000	21,380	331,380
	<u>8,121,570</u>	<u>4,571,171</u>	<u>12,692,741</u>

NOTE 6: COMPENSATED ABSENCES

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement or termination. At June 30, 2020, accrued compensated absences are \$105,733.

NOTE 7: RETIREMENT PLANS

The City is a participating employer of the County Employees' Retirement System (CERS) or (Plan). Under provision of Kentucky Revised Statue 61.645, the Board of Trustees of the Kentucky Retirement System administers the CERS. The Kentucky Retirement System issues a publicly available financial reports that may be downloaded from their website.

Plan description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is divided into a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB) and each plan is further divided based on Non-hazardous duty and Hazardous duty covered employee classifications.

Benefits provided

CERS provides retirement, health insurance, death, and disability benefits to employees and beneficiaries. Employees are vested in the plan after five years of service.

NOTE 7: RETIREMENT PLANS (CONTINUED)

For retirement purposes, non-hazardous duty employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	Not available

For retirement purposes, hazardous duty employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month service and 55 years old, or at least 20 years service at any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old, or at least 25 years service at any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years service and 60 years old, or at least 25 years service at any age
	Reduced retirement	Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 6: RETIREMENT PLANS (CONTINUED)

Contributions

Employees - For the year ended June 30, 2020 nonhazardous covered employees are required to contribute 5% of wages and hazardous covered employees are required to contribute 8% of wages to the plan. Employees who begin participation on or after September 1, 2008 are required to contribute an additional 1%.

Employers - For the year ended June 30, 2020 participating employers contributed 19.30% of wages for non-hazardous covered employees and 30.06% of wages for hazardous covered employees. The City made all required contributions for fiscal year in the amount of \$158,953 for non-hazardous and \$35,679 for hazardous.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

Nonhazardous	\$ 2,352,061
Hazardous	681,845
<u>Total proportionate share of the net pension liability</u>	<u>\$ 3,033,906</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of 2019 contributions to the pension plan relative to the 2019 contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2019 was:

Nonhazardous	0.0334%
Hazardous	0.0247%

For the year ended June 30, 2020, the City recognized pension expense of \$361,064. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Nonhazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 60,055	\$ 9,938	
Change of assumptions	238,055		
Change in investment experience	45,150	83,067	
Change in proportionate share of contributions	66,271		
<u>Total deferred resources</u>	<u>409,531</u>	<u>\$ 93,005</u>	<u>\$ 316,526</u>
<u>Subsequent contributions</u>	<u>158,953</u>		
<u>Total</u>	<u>\$ 568,484</u>		

NOTE 7: RETIREMENT PLANS (CONTINUED)

Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 28,970	\$ 0	
Change of assumptions	66,186		
Change in investment experience	10,489	20,139	
Change in proportionate share of contributions	47,345	4,385	
Total deferred resources	152,990	\$ 24,524	\$ 128,466
Subsequent contributions	35,679		
Total	\$ 188,669		

Total Nonhazardous and Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 89,025	\$ 9,938	
Change of assumptions	304,241		
Change in investment experience	55,639	103,206	
Change in proportionate share of contributions	113,616	4,385	
Total deferred resources	562,521	\$ 117,529	\$ 444,992
Subsequent contributions	194,632		
Total	\$ 757,153		

The contributions subsequent to the measurement date of \$194,632 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The net deferral of \$444,942 will be recognized as pension expense as follows:

Year Ending 30-Jun	Net Deferral
2021	\$ 275,144
2022	120,376
2023	46,169
2024	3,303
	<u>\$ 444,992</u>

Actuarial assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010". The total pension liability as of June 30, 2019 was determined using these updated assumptions.

NOTE 6: RETIREMENT PLANS (CONTINUED)

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous 0.00% for hazardous
Salary increase	3.30% to 10.30% for non-hazardous 3.55% to 19.05% for hazardous
Investment rate of return	6.25%

The mortality table used for active members was 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 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 ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Mortality Table, with a 4-year set-forward for both male and female rates, projected with ultimate rates from 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 are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>3.89%</u>

NOTE 7: RETIREMENT PLANS (CONTINUED)

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 rate. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Nonhazardous	\$ 2,941,761	\$ 2,352,061	\$ 1,860,552
Hazardous	852,459	681,845	541,966
Total	\$ 3,794,220	\$ 3,033,906	\$ 2,402,518

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description

The City's employees are provided OPEB under provisions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at www.kyret.ky.gov.

Benefits provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	
Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

Contributions

For the year ending June 30, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums KRS Pays for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retiree 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 subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Nonhazardous	\$ 562,345
Hazardous	182,590
<u>Total proportionate share of the net OPEB liability</u>	<u>\$ 744,935</u>

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2019 was as follows:

Nonhazardous	0.0334%
Hazardous	0.0247%

For the year ended June 30, 2020, the City recognized OPEB expense of \$25,731. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Nonhazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 169,672	
Change of assumptions	166,403	1,113	
Change in investment experience	3,704	28,681	
Change in proportionate share of contributions	20,497	917	
Total deferred resources	190,604	\$ 200,383	\$ (9,779)
Subsequent contributions	39,203		
Total	\$ 229,807		

Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 33,968	
Change of assumptions	55,178	346	
Change in investment experience	1,248	11,745	
Change in proportionate share of contributions	14,829	2,340	
Total deferred resources	71,255	\$ 48,399	\$ 22,856
Subsequent contributions	11,299		
Total	\$ 82,554		

Total Nonhazardous and Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 203,640	
Change of assumptions	221,581	1,459	
Change in investment experience	4,952	40,426	
Change in proportionate share of contributions	35,326	3,257	
Total deferred resources	261,859	\$ 248,782	\$ 13,077
Subsequent contributions	50,502		
Total	\$ 312,361		

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The contributions subsequent to the measurement date of \$50,502 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The net deferral of \$13,077 will be recognized in OPEB expense as follows:

Year Ending 30-Jun	Net Deferral
2021	\$ 14,535
2022	4,823
2023	7,484
2024	(4,645)
2025	(7,927)
Thereafter	(1,193)
	\$ 13,077

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2019 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted accounting principles.

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010". The total OPEB liability as of June 30, 2019 was determined using these updated assumptions.

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous 0.00% for hazardous
Salary increase	3.30% to 10.30% for non-hazardous 3.55% to 19.05% for hazardous
Investment rate of return	6.25%

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 RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back four years for males).

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 are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>3.89%</u>

Discount rate

The projection of cash flows used to determine the discount rate of 5.68% for non-hazardous and 5.69% for hazardous 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 used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. 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 study will not be paid out of KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.68% for non-hazardous and 5.69% for hazardous as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

	1% Decrease 4.68%	Current Rate 5.68%	1% Increase 6.68%
Nonhazardous	\$ 753,311	\$ 562,345	\$ 405,002
	1% Decrease 4.69%	Current Rate 5.69%	1% Increase 6.69%
Hazardous	254,750	182,590	124,017
<u>Total</u>	<u>\$ 1,008,061</u>	<u>\$ 744,935</u>	<u>\$ 529,019</u>

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Nonhazardous	\$ 418,219	\$ 562,345	\$ 737,115
Hazardous	127,049	182,590	250,347
Total	\$ 545,268	\$ 744,935	\$ 987,462

OPEB plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE 8: CONTINGENCIES

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2020, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
Revenues				
Property taxes	\$ 187,000	\$ 187,000	\$ 206,005	\$ 19,005
Licenses and permits	265,000	265,000	306,864	41,864
Occupational license tax	330,000	330,000	337,888	7,888
Intergovernmental and HB 413	35,000	35,000	23,309	(11,691)
Franchise fees	72,000	72,000	69,470	(2,530)
Charges for services	92,000	105,000	92,021	(12,979)
Grant proceeds	20,900	20,900	27,746	6,846
School resource officer	30,100	30,100	22,575	(7,525)
Sidewalk project	450,000	450,000		(450,000)
Other revenue	13,600	13,600	24,108	10,508
Total revenues	1,495,600	1,508,600	1,109,986	(398,614)
Expenditures				
General government	179,955	225,000	205,596	19,404
Public safety - police	657,241	657,241	529,949	127,292
Public works - streets	116,404	116,404	72,878	43,526
Public works - sanitation	92,000	105,000	94,166	10,834
Sidewalk project	450,000	450,000		450,000
Total expenditures	1,495,600	1,553,645	902,589	651,056
Net change in fund balance	0	(45,045)	207,397	252,442
Fund balance - beginning	1,070,057	1,135,475	1,070,057	(65,418)
Fund balance - ending	\$ 1,070,057	\$ 1,090,430	\$ 1,277,454	\$ 187,024

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenues	\$ 16,000	\$ 16,000	\$ 15,188	\$ (812)
Other revenue	100	100	106	6
Total revenues	16,100	16,100	15,294	(806)
Expenditures				
Streets	75,000	75,000		75,000
Total expenditures	75,000	75,000	0	75,000
Net change in fund balance	(58,900)	(58,900)	15,294	74,194
Fund balance - beginning	82,049	97,735	97,735	0
Fund balance - ending	\$ 23,149	\$ 38,835	\$ 113,029	\$ 74,194

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Charges for services	\$ 5,152,585	\$ 5,152,585	\$ 5,118,749	\$ (33,836)
Project revenue	3,113,000	3,113,000	236,436	(2,876,564)
Other revenue			46,894	46,894
Total revenues	8,265,585	8,265,585	5,402,079	(2,863,506)
Expenditures				
Operating	5,307,585	5,307,585	5,019,450	288,135
Project expense	3,113,000	3,113,000		3,113,000
Total expenditures	8,420,585	8,420,585	5,019,450	3,401,135
Net change in fund balance	(155,000)	(155,000)	382,629	537,629
Fund balance - beginning	19,687,829	19,727,841	19,687,829	(40,012)
Fund balance - ending	\$ 19,532,829	\$ 19,572,841	\$ 20,070,458	\$ 497,617

Note A: Budgetary Basis of Accounting

While the City reports financial position, results of operations, and changes in fund balance in accordance with generally accepted accounting principles (GAAP) accepted in the United States the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenues, expenditures, and changes in fund balances - budget (non-GAAP budgetary basis) and actual is presented to provide a meaningful comparison of actual results with the budget.

Note B: Reconciling Net Change in Fund Balance Budgetary Basis to GAAP Basis

Net change in fund balance	General Fund	Municipal Road Aid Fund	Water and Sewer Fund
GAAP basis	\$ 198,042	\$ 15,294	\$ 80,928
Net adjustment for revenue accruals	9,355		
Net adjustment for expenditure accruals			301,701
Budgetary basis	\$ 207,397	\$ 15,294	\$ 382,629

Note C: Information about Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial statements- and Management's Discussion and Analysis- for State and Local Governments, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated and maintenance and preservation costs are not expensed. The City capitalized costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to use the modified approach, the City is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets and the condition level established and disclose by the City.
- Document that the infrastructure assets are being preserved approximately at or above the condition level established by the City.

A government that uses the modified approach has to document that it has performed a complete condition assessment of the assets at least every three years. The City completed a condition assessment of the assets and reported the results of the assessment in the financial statements of June 30, 2020 and for the year then ended. That assessment is reported in these financial statements as of June 30, 20120 and for the year then ended.

Roads

The City applies the modified approach to the thirty-three (33) streets and roads that are owned by the City and maintained by the City's Streets Department. The goal of the City in conjunction with adopting the modified approach is the develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the City's investment in its road network and enhances public transportation and safety.

Measurement Safety

The condition of road pavement is measured using the City Pavement Measurement System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 100. The PCI is used to classify roads into categories.

Category	PCI Rating Range	Description
Very Good	94 – 100	New or nearly new pavement which provides a very smooth ride and is mainly free of distress (no maintenance work needed).
Good	76 – 93	Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress (minor maintenance may be needed).
Fair	64 – 75	Surface defects such as cracking, rutting, and raveling are affecting the ride (major maintenance is likely needed).
Poor	41 – 63	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough (structural improvements in addition to major maintenance are likely needed).
Very Poor	0 – 40	Pavement in this category is severely deteriorate and the ride quality is unacceptable (complete road reconstruction is likely needed).

Established Condition Level

It is the City's policy to maintain at least 80% of its roads at or above the "good" condition level, and no more than 10% at a "very poor" condition. Condition assessments are performed by geographic City within the City on approximately one-third of the roads each year, achieving a complete condition assessment at least every three years.

Assessed Conditions

During the past five (5) years ended June 30, the City budgeted and spent the amounts to maintain the streets, roads and sidewalks of the City.

Year Ended		
30-Jun	Budget	Expenditure
2016	\$ 33,615	\$ 26,969
2017	\$ 32,183	\$ 44,332
2018	\$ 50,033	\$ 16,101
2019	\$ 39,915	\$ 26,356
2020	\$ 116,404	\$ 72,878

City of Taylorsville, Kentucky
Schedule of City's Share of Net Pension Liability and Contributions - Nonhazardous
Year Ended June 30, 2020

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

As of June 30,	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0334%	0.0323%	0.0316%	0.0309%	0.0320%	0.0340%
City's proportionate share of the net pension liability	\$ 2,352,061	\$ 1,967,108	\$ 1,852,104	\$ 1,519,430	\$ 1,376,482	\$ 1,103,000
City's covered payroll	\$ 854,878	\$ 831,203	\$ 787,016	\$ 774,168	\$ 848,103	\$ 809,994
City's proportionate share of the net pension liability as a percentage of its covered payroll	275.13%	236.66%	235.33%	196.27%	162.30%	136.17%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 198,156	\$ 183,627	\$ 159,424	\$ 147,014	\$ 132,073	\$ 149,859	\$ 153,008
Actual contribution	198,156	183,627	159,424	147,014	132,073	149,859	153,008
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 823,591	\$ 854,878	\$ 831,203	\$ 787,016	\$ 774,168	\$ 848,103	\$ 809,994
Contributions as a percentage of covered payroll	24.06%	21.48%	19.18%	18.68%	17.06%	17.67%	18.89%

City of Taylorsville, Kentucky
Schedule of City's Share of Net OPEB Liability and Contributions - Nonhazardous
Year Ended June 30, 2020

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

As of June 30,	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0247%	0.0216%	0.0222%	0.0204%	0.0213%	0.0453%
City's proportionate share of the net pension liability	\$ 681,845	\$ 522,919	\$ 496,586	\$ 350,840	\$ 326,746	\$ 545,000
City's covered payroll	\$ 168,114	\$ 148,416	\$ 135,674	\$ 103,702	\$ 123,332	\$ 233,137
City's proportionate share of the net pension liability as a percentage of its covered payroll	405.58%	352.33%	366.01%	338.32%	264.93%	233.77%
Plan fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 35,679	\$ 41,793	\$ 32,948	\$ 29,455	\$ 21,010	\$ 28,304	\$ 50,753
Actual contribution	35,679	41,793	32,948	29,455	21,010	28,304	50,753
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 118,693	\$ 168,114	\$ 148,416	\$ 135,674	\$ 103,702	\$ 123,332	\$ 233,137
Contributions as a percentage of covered payroll	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%

City of Taylorsville, Kentucky
Schedule of City's Share of Net OPEB Liability and Contributions - Nonhazardous
Year Ended June 30, 2020

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

As of June 30,	2020	2019	2018
Measurement period as of June 30,	2019	2018	2017
City's proportion of the net OPEB liability	0.0334%	0.0323%	0.0316%
City's proportionate share of the net OPEB liability	\$ 562,345	\$ 573,642	\$ 636,112
City's covered payroll	\$ 854,878	\$ 831,203	\$ 787,016
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	65.78%	69.01%	80.83%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017
Contractually required contribution	\$ 39,202	\$ 44,966	\$ 39,066	\$ 37,225
Actual contribution	39,202	44,966	39,066	37,225
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 823,591	\$ 854,878	\$ 831,203	\$ 787,016
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%

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

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2019	2018	2017
City's proportion of the net OPEB liability	0.0247%	0.0216%	0.0222%
City's proportionate share of the net OPEB liability	\$ 182,590	\$ 154,163	\$ 183,488
City's covered payroll	\$ 168,114	\$ 148,416	\$ 135,674
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	108.61%	103.87%	135.24%
Plan fiduciary net position as a percentage of the total OPEB liability	64.44%	64.24%	58.99%

Schedule of City's Contributions - CERS

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 11,299	\$ 17,601	\$ 13,876	\$ 12,685
Actual contribution	<u>11,299</u>	<u>17,601</u>	<u>13,876</u>	<u>12,685</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 118,693	\$ 168,114	\$ 148,416	\$ 135,674
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%

City of Taylorsville, Kentucky
Changes of Benefits and Assumptions - Pensions
Year Ended June 30, 2020

Change of Benefits	<u>2020</u>	<u>2019</u>
	no change	no change
 Change of Assumptions	 <u>2020</u>	 <u>2019</u>
Valuation date	6/30/2017	6/30/2016
Experience study	7/1/08-6/30/13	7/1/08-6/30/13
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	27 years, closed
Payroll growth rate	2.00%	4.00%
Asset valuation method	20% of difference	20% of difference
Salary increase rate - non-hazardous	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	4.00%
Inflation	2.30%	3.25%
Investment rate of return	6.25%	7.50%

City of Taylorsville, Kentucky
Changes of Benefits and Assumptions - OPEB
Year Ended June 30, 2020

Change of Benefits	<u>2020</u>	<u>2019</u>
	no change	no change
 Change of Assumptions	 <u>2020</u>	 <u>2019</u>
Valuation date	6/30/2017	6/30/2016
Experience study	7/1/08-6/30/13	7/1/08-6/30/13
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	27 years, closed
Payroll growth rate	2.00%	4.00%
Asset valuation method	20% of difference	20% of difference
Salary increase rate - non-hazardous	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	4.00%
Inflation	2.30%	3.25%
Investment rate of return	6.25%	7.50%

City of Taylorsville, Kentucky
Schedule of General Fund Activity
Year Ended June 30, 2020

	General Government	Police Department	Street Department	Sanitation Department	Total
ABC license fee	\$ 7,350				\$ 7,350
Automobile tax - county	11,888				11,888
Automobile tax - intercounty	2,307				2,307
Bank shares tax	21,335				21,335
Business license	29,950				29,950
Discount on taxes	(3,366)				(3,366)
Fines, forfeitures, and penalties	1,198				1,198
Franchise fees	69,469				69,469
Grant proceeds	1,497				1,497
HB 413 court costs		7,185			7,185
Insurance premium tax	268,289				268,289
Interest income	1,299				1,299
Intergovernmental revenue		16,124			16,124
KDOT sidewalk project	8,148				8,148
Miscellaneous revenue	1,396				1,396
Occupational license tax	337,881				337,881
Penalties and interest - BL	1,275				1,275
Penalties and interest - OL	7				7
Police finger printing		185			185
Police seized revenue		228			228
Property tax	168,014				168,014
RDA police grant	18,100				18,100
Sale of assets	21,000				21,000
Sanitation				92,021	92,021
School resource officer program		22,575			22,575
Telecommunications tax	4,631				4,631
Total revenues	971,668	46,297	0	92,021	1,109,986

City of Taylorsville, Kentucky
Schedule of Road Aid Fund Activity
Year Ended June 30, 2020

	General Government	Police Department	Street Department	Sanitation Department	Total
ABC admin fee	\$	\$ 1,500	\$	\$	\$ 1,500
Bank charges	414				414
Building maintenance	380	173			553
Capital outlay	5,117	51,625			56,742
Contract services	1,725				1,725
Community center project	1,684				1,684
Dues and donations	115				115
Engineering services	6,438				6,438
FICA	5,711	17,783			23,494
Floodwall recertification	12,500				12,500
Insurance	2,590	27,679	833		31,102
KDOT sidewalk project	10,186				10,186
Legal and audit fees	11,247	4,735			15,982
Life insurance		49			49
Main street manager	8,040				8,040
Main street committee	5,000				5,000
Medical allowance	43,800				43,800
Medical insurance		18,544			18,544
Medicare	1,335	4,159			5,494
Miscellaneous		485			485
Multipurpose CAA	5,000				5,000
Office supplies	5,124	1,766			6,890
Publication and printing	2,464	1,090	91		3,645
Repairs and maintenance	3,815	23,121	17,328		44,264
Retirement		46,979			46,979
Salaries	46,801	252,493			299,294
Salaries, overtime		37,339			37,339
Sanitation				94,167	94,167
Seminars and travel	3,847	(101)			3,746
Stidger house preservation	2,250				2,250
Supplies	1,043	3,630	975		5,648
Tax preparation	6,082				6,082
Taxes and licenses	212	499			711
Tourism committee	5,000				5,000
Training expense	1,500	1,043			2,543
Uniforms		10,759			10,759
Utilities	6,174	8,033	53,652		67,859
Vehicle expense		5,080			5,080
Vehicle fuel		11,486			11,486
Total expenditures	205,594	529,949	72,879	94,167	902,589
Change in fund balance	\$ 766,074	\$ (483,652)	\$ (72,879)	\$ (2,146)	\$ 207,397

The accompanying notes are an integral part of these financial statements.

	Municipal Street Activities
Intergovernmental revenue	\$ 15,188
Interest income	106
Total revenue	15,294
Expenditures	0
Change in fund balance	\$ 15,294

City of Taylorsville, Kentucky
Schedule of Utility Fund Activity
Year Ended June 30, 2020

	Water Service	Sewer Service	Total
Activation fees	\$ 14,626		\$ 14,626
Contributed capital	9,135		9,135
Impact fee		78,000	78,000
Interest income	15,072		15,072
KYTC funded bridge projects	68,436		68,436
Lease income	27,606		27,606
Meter sets	266,175		266,175
Miscellaneous revenue	3,734		3,734
Penalties	45,567		45,567
Phase V RDA grant	168,000		168,000
Return check revenue	(4,371)		(4,371)
Returned check fees	1,581		1,581
Sewer impact - Premier		1,000	1,000
Sewer revenue		383,032	383,032
Surcharge Phase I	50,791		50,791
Surcharge Phase II	38,597		38,597
Surcharge Phase III	6,227		6,227
Turn on and service trips	11,340		11,340
Vendors compensation	482		482
Water refunds and allowances	(14,935)		(14,935)
Water revenue	4,231,984		4,231,984
Total revenues	4,940,047	462,032	5,402,079

City of Taylorsville, Kentucky
Schedule of Utility Fund Activity
Year Ended June 30, 2020

	Water Service	Sewer Service	Total
Advertising	\$ 4,681	\$ 74	\$ 4,755
Bad debts	2,425		2,425
Bank charges	3,468		3,468
Bloomfield water study	651		651
Contract labor	8,275		8,275
Cost of goods sold	67,377	264	67,641
Depreciation	716,112	236,580	952,692
Dues and subscriptions	2,450		2,450
Education and seminars	1,081	289	1,370
Engineering services	5,826	1,885	7,711
FICA	45,726	6,712	52,438
Freight	2,482	749	3,231
Inspection and lab fees	16,439	18,285	34,724
Insurance	74,939	14,261	89,200
Interest expense	214,899	69,277	284,176
Legal and audit fees	25,717	1,310	27,027
Licenses and permits	939		939
Life insurance	189	25	214
Louisville water purchased	1,461,331		1,461,331
Maintenance and repairs	91,272	82,799	174,071
Medical insurance	220,101	26,830	246,931
Medicare	10,693	1,570	12,263
Meter repair and main costs.	163,141		163,141
Miscellaneous	194		194
Office supplies	20,237	63	20,300
Postage	33,834		33,834
Removal	13,280		13,280
Retirement	172,112	26,044	198,156
Salaries	739,686	108,153	847,839
Salaries, overtime	6,370	1,676	8,046
Supplies	29,358	2,731	32,089
Transfer to dispatch	12,000		12,000
Travel	167		167
Uniforms	12,192	2,941	15,133
Utilities	127,184	67,926	195,110
Vehicle expenses	17,198	1,122	18,320
Vehicle fuel	20,199	3,659	23,858
Total expenses	4,344,225	675,225	5,019,450
Change in fund balance	\$ 595,822	\$ (213,193)	\$ 382,629

**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 City Commission
City of Taylorsville, Kentucky
Taylorsville, 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, and each major fund of the City of Taylorsville, Kentucky (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 17, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Maddox & Associates CPAs, Inc.

Fort Thomas, KY

November 17, 2020