

CITY OF BARBOURVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2021

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Mayor and the City Council
City of Barbourville
Barbourville, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 52 through 54 be presented to supplement the basic financial statements in addition to the pension and OPEB schedules on pages 57 through 64. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Barbourville, Kentucky's basic financial statements. The combining nonmajor fund financial statements on pages 55 and 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022 on our consideration of the City of Barbourville, Kentucky's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Barbourville, Kentucky's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 9, 2022

**CITY OF BARBOURVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Within this section of the City of Barbourville, Kentucky (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

The financial statements included in this report provide insight into the financial status of the City as of and for the year ended June 30, 2021.

Financial Highlights (dollars are in thousands)

- Total net position is comprised of the following:
 - 1) Net investment in capital assets of \$2,749 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) There are no net assets restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - 3) Unrestricted net assets of -\$813 represent the deficits of the City as of June 30, 2021.
- During the year ended June 30, 2021 the City received \$3,783 in total revenues, an increase of \$234 (6.6%) from fiscal year 2020.
- Total expenditures increased during fiscal year 2021 by \$284 (8.9%) to \$3,485.
- The City's governmental activities reported ending fund balance of \$2,423 this year. This represents an increase of \$163 from fiscal year 2020.
- At the end of fiscal year 2021, the fund balances from the General Fund increased \$141 (11.0%) over the year ended June 30, 2020 to \$1,419. The fund balance of the General Fund was 45.0% of total General Fund expenditures including transfers and 43.0% of total General Fund revenues including transfers, proceeds from long-term debt, proceeds from sale of assets, and payments from component units.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and tourist and recreation. The business-type activity consists of Barbourville Recreation Park, and the component unit consists of utility services. Fiduciary activities such as the school tax agency fund are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of the legally separate organizations operate like City departments, serve as financing vehicles for City Services, or are governed by a board of trustees of the City's Mayor and Council or appointed by the City's Mayor or Council. These organizations are blended into the primary government for financial reporting purposes. Examples of blended organizations reported as City funds include the Barbourville Tourist and Recreation Commission and the Barbourville Recreation Park, Inc. Others operate more independently or provide services directly to the citizens though the City remains accountable for their activities. The Barbourville Utility Commission is reported separately from the primary government, though included in the City's overall reporting entity as a discretely presented component unit.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has four types of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinct view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-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 the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The Recreational Park Fund is reported as an enterprise fund. Enterprise funds essentially encompass the same functions reported as a business-type activity in the government-wide statements. Services are provided to customers external to the City organization.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units.

Internal service funds are used to account for the City's self-insurance fund.

Fiduciary funds such as the school agency fund are reported in the fiduciary fund financial statements but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to Financial Statements

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to financial statements begin immediately following the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Budgetary comparison statements for the general fund and the major special revenue fund are included as required supplementary information in addition to the required pension and OPEB schedules. The budgetary comparison statements demonstrate compliance with the City's adopted and final revised budget. Other supplementary information includes the combining balance sheet and the combining statement of revenues, expenditures, and changes in fund balances for the non-major governmental funds. Supplementary information follows the notes to financial statements.

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at June 30, 2021 and 2020:

	Summary of Net Position (dollars are in thousands)					
	Governmental Activities		Business-type Activity		Totals	
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/20</u>
Current and other assets	\$ 2,574	\$ 2,373	\$ 188	\$ 128	\$ 2,762	\$ 2,501
Capital assets	2,937	2,547	366	389	3,303	2,936
Total assets	<u>\$ 5,511</u>	<u>\$ 4,920</u>	<u>\$ 554</u>	<u>\$ 517</u>	<u>\$ 6,065</u>	<u>\$ 5,437</u>
Deferred outflows of resources	<u>\$ 1,083</u>	<u>\$ 953</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,083</u>	<u>\$ 953</u>
Long-term liabilities	\$ 4,509	\$ 4,049	\$ --	\$ --	\$ 4,509	\$ 4,049
Other liabilities	230	186	5	4	235	190
Total liabilities	<u>\$ 4,739</u>	<u>\$ 4,235</u>	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 4,744</u>	<u>\$ 4,239</u>
Deferred inflows of resources	<u>\$ 468</u>	<u>\$ 605</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 468</u>	<u>\$ 605</u>
Net position:						
Net investment in capital assets	\$ 2,383	\$ 1,921	\$ 366	\$ 389	\$ 2,749	\$ 2,310
Unrestricted (deficit)	(996)	(888)	183	124	(813)	(764)
Total net position	<u><u>\$ 1,387</u></u>	<u><u>\$ 1,033</u></u>	<u><u>\$ 549</u></u>	<u><u>\$ 513</u></u>	<u><u>\$ 1,936</u></u>	<u><u>\$ 1,546</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following table provides a summary of the City's changes in net position for the years ended June 30, 2021 and 2020:

Summary of Changes in Net Position (dollars are in thousands)						
	Governmental Activities		Business-type Activity		Totals	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues:						
Program revenues:						
Charges for services	\$ 402	\$ 404	\$ 77	\$ 67	\$ 479	\$ 471
Grants and contributions	245	267	--	--	245	267
General revenues:						
Occupational taxes	764	720	--	--	764	720
Insurance premium taxes	528	532	--	--	528	532
Property taxes	491	491	--	--	491	491
Restaurant and motel taxes	611	552	--	--	611	552
Franchise taxes	156	149	--	--	156	149
Utility taxes	8	19	--	--	8	19
Other taxes	45	41	--	--	45	41
Other gains (losses)	538	290	(82)	17	456	307
Total revenues	<u>\$3,788</u>	<u>\$3,465</u>	<u>\$ (5)</u>	<u>\$ 84</u>	<u>\$3,783</u>	<u>\$3,549</u>
Expenses:						
Governmental activities:						
General government	\$ 897	\$ 765	\$ --	\$ --	\$ 897	\$ 765
Public safety:						
Police department	1,143	1,107	--	--	1,143	1,107
Fire department	203	135	--	--	203	135
Public services	714	802	--	--	714	802
Tourist and recreation	342	224	--	--	342	224
Interest on long-term debt	28	28	--	--	28	28
Recreational park	--	--	158	140	158	140
Total expenses	<u>\$3,327</u>	<u>\$3,061</u>	<u>\$ 158</u>	<u>\$ 140</u>	<u>\$3,485</u>	<u>\$3,201</u>
Change in net position before transfers	<u>\$ 461</u>	<u>\$ 404</u>	<u>\$ (163)</u>	<u>\$ (56)</u>	<u>\$ 298</u>	<u>\$ 348</u>
Transfers	<u>(107)</u>	<u>(348)</u>	<u>199</u>	<u>127</u>	<u>92</u>	<u>(221)</u>
Change in net position	<u>\$ 354</u>	<u>\$ 56</u>	<u>\$ 36</u>	<u>\$ 71</u>	<u>\$ 390</u>	<u>\$ 127</u>
Net position, beginning of year, as previously stated	<u>\$1,033</u>	<u>977</u>	<u>\$ 513</u>	<u>\$ 442</u>	<u>\$1,546</u>	<u>\$1,419</u>
Ending net assets	<u><u>\$1,387</u></u>	<u><u>\$1,033</u></u>	<u><u>\$ 549</u></u>	<u><u>\$ 513</u></u>	<u><u>\$1,936</u></u>	<u><u>\$1,546</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$2,423,487, an increase of \$163,263 over the prior year.

Major Governmental Funds

The General Fund is the City's primary operating fund. The General Fund has an ending fund balance of \$1,419,130, an increase in the amount of \$141,224 over the prior year.

The Tourism and Recreation Fund has an ending fund balance of \$958,154, an increase in the amount of \$16,408 over the prior year.

Proprietary fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Recreational Park Fund accounts for the operating activities of the City's recreational park. The Recreational Park Fund received \$198,750 in transfers in 2021 from other funds to help support operations. This is an increase in transfers in from fiscal year 2020 of \$71,760. The Recreational Park Fund reported an increase in net position for 2021 in the amount of \$36,638.

General Fund Budgetary Highlights

The final General Fund budget expenditures for the fiscal year 2021 were \$3,354,362. There were amendments to the budget, Ordinance No. 2021-2, which was to reallocate revenue and expenses. As a result, in 2021 budgeted revenues increased by a total of \$335,352, appropriations for administrative expenses increased by \$48,844, appropriations for the police department increased by \$36,692, appropriations for fire increased by \$1,680, appropriations for public services decreased by \$60,610, appropriations for tourism and recreation decreased by \$7,000, appropriations for debt service increased by \$17,645, and appropriations increased for capital outlay by \$334,679.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Assets

The City's investment in capital assets and accumulated depreciation, for governmental and business-type activities as of June 30, 2021 was \$2,936,714 and \$366,157, respectively. Major capital asset additions for the fiscal year for governmental activities included approximately \$14,000 for general government assets, \$317,000 for police assets, \$276,000 for fire assets, \$135,000 for public service assets, and \$49,000 for tourism and recreation assets. Major capital asset additions for the 2021 fiscal year for business-type activities include approximately \$4,000 for recreational park equipment and approximately \$137,000 for recreational park construction in process.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets Net of Accumulated Depreciation (dollars are in thousands)

	Governmental Activities		Business-type Activity		Totals	
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/20</u>
Non-Depreciable Assets:						
Land	\$ 325	\$ 325	263	126	\$ 588	\$ 451
Depreciable Assets:						
Buildings	653	638	30	42	683	680
Improvements Other than Land	591	551	27	38	618	589
Equipment and Vehicles	<u>1,368</u>	<u>1,033</u>	<u>46</u>	<u>183</u>	<u>1,414</u>	<u>1,216</u>
Total	<u>\$2,937</u>	<u>\$2,547</u>	<u>\$ 366</u>	<u>\$ 389</u>	<u>\$3,303</u>	<u>\$2,936</u>

Long-Term Debt and Capital Leases

At the end of the fiscal year, the City had total long-term debt of \$156,045 and capital leases of \$397,377, a decrease in long-term debt of \$6,314 and a decrease for capital leases of \$66,569 for capital leases from the previous year.

Economic Environment

The City's coal severance funds have declined in the past few years, therefore the budgeted amount for the upcoming fiscal year has changed to \$10,000.

The Police Department has been awarded \$17,600 for a Highway Safety Grant for the upcoming fiscal year.

The City has been awarded additional funding of \$23,083 for COVID-19 payroll reimbursement for the June 30, 2021 budget year.

The City has applied for USDA grant funding in the amount of \$50,000 for the purchase of two pickup trucks for the street department in the upcoming fiscal year.

Although the City decreased its budgeted amount of insurance premium taxes in the June 30, 2021 fiscal year due to unknown results of COVID-19, the amount collected exceeded the budgeted amount. As a result, the City has reflected a carryover of income for the upcoming fiscal year budget and has increased the expected amount to be collected in that fiscal year. This also applies to the occupational taxes collected for the June 30, 2021 budget year.

The City continues to receive 25% of the occupational taxes collected from the Knox County Fiscal Court. Due to the COVID-19 pandemic, the City reduced its expected amount of income for the June 30, 2021 budget year to \$636,000. The actual amount received for this budget year exceeded this amount by approximately \$128,000. As a result, the budget for the upcoming fiscal year shows a carryover.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the upcoming fiscal year budget, the expected income from the alcohol regulatory fees and license fees has been increased to \$160,000 to reflect an increase in prior year collections.

The City continues to struggle with the uncertainty from the COVID-19 pandemic.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Administrator, City of Barbourville, 196 Daniel Boone Drive, Box 1300, Barbourville, KY 40906.

CITY OF BARBOURVILLE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government			Component Unit
	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash	\$ 1,838,811	\$ 188,264	\$ 2,027,075	\$ 1,951,424
Insurance premium taxes receivable	131,119	--	131,119	--
Property taxes receivable, net	9,529	--	9,529	--
Franchise taxes receivable	18,941	--	18,941	--
Restaurant and motel taxes receivable	53,946	--	53,946	--
Intergovernmental receivable	29,765	--	29,765	--
Accounts receivable	55,734	--	55,734	1,205,651
Inventory, parts not in service	--	--	--	726,026
Total current assets	<u>2,137,845</u>	<u>188,264</u>	<u>2,326,109</u>	<u>3,883,101</u>
Restricted assets:				
Customers' deposits	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,042,631</u>
Total restricted assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,042,631</u>
Non-current assets:				
Investments	436,609	--	436,609	4,701,075
Capital assets				
Land, water rights, and construction in process	324,735	262,840	587,575	2,851,604
Other capital assets, net of depreciation	2,611,979	103,317	2,715,296	25,542,858
Total non-current assets	<u>3,373,323</u>	<u>366,157</u>	<u>3,739,480</u>	<u>33,095,537</u>
Total assets	<u><u>\$ 5,511,168</u></u>	<u><u>\$ 554,421</u></u>	<u><u>\$ 6,065,589</u></u>	<u><u>\$38,021,269</u></u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	\$ 647,766	\$ --	\$ 647,766	\$ 1,514,139
Deferred outflows related to OPEB	435,224	--	435,224	1,079,808
Total deferred outflows of resources	<u><u>\$ 1,082,990</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 1,082,990</u></u>	<u><u>\$ 2,593,947</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
STATEMENT OF NET POSITION (Continued)
June 30, 2021

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activity		
LIABILITIES				
Current liabilities:				
Current maturities of long-term debt	\$ 6,304	\$ --	\$ 6,304	\$ 497,278
Current maturities of leases payable	73,067	--	73,067	--
Accounts payable and accrued expenses	46,388	4,442	50,830	748,224
Accrued salaries and payroll withholdings	103,099	654	103,753	486,380
Accrued interest payable	1,479	--	1,479	25,646
Total current liabilities	<u>230,337</u>	<u>5,096</u>	<u>235,433</u>	<u>1,757,528</u>
Liabilities payable from restricted assets:				
Customers' deposits	--	--	--	1,042,631
Total liabilities payable from restricted assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,042,631</u>
Non-current liabilities:				
Long-term debt, less current maturities	149,741	--	149,741	7,739,703
Leases payable, less current maturities	324,310	--	324,310	--
Net pension liability	3,076,373	--	3,076,373	7,056,784
Net OPEB liability	958,171	--	958,171	2,221,037
Total non-current liabilities	<u>4,508,595</u>	<u>--</u>	<u>4,508,595</u>	<u>17,017,524</u>
Total liabilities	<u>\$ 4,738,932</u>	<u>\$ 5,096</u>	<u>\$ 4,744,028</u>	<u>\$19,817,683</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 223,842	\$ --	\$ 223,842	\$ 143,482
Deferred inflows related to OPEB	244,485	--	244,485	443,890
Total deferred inflows of resources	<u>\$ 468,327</u>	<u>\$ --</u>	<u>\$ 468,327</u>	<u>\$ 587,372</u>
NET POSITION				
Net investment in capital assets	\$ 2,383,291	\$ 366,157	\$ 2,749,448	\$20,157,480
Unrestricted (Deficit)	<u>(996,392)</u>	<u>183,168</u>	<u>(813,224)</u>	<u>52,681</u>
Total net position	<u>\$ 1,386,899</u>	<u>\$ 549,325</u>	<u>\$ 1,936,224</u>	<u>\$20,210,161</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 896,760	\$ 38,148	\$ 76,400	\$ --
Public safety:				
Police department	1,142,785	5,691	67,604	--
Fire department	203,392	--	17,210	--
Public services	713,561	357,780	83,293	--
Tourist and recreation	342,405	--	--	--
Interest on long-term debt	27,973	--	--	--
Total governmental activities	<u>3,326,876</u>	<u>401,619</u>	<u>244,507</u>	<u>--</u>
Business-type activity:				
Recreational park	157,917	77,381	--	--
Total business-type activity	<u>157,917</u>	<u>77,381</u>	<u>--</u>	<u>--</u>
Total primary government	<u>3,484,793</u>	<u>479,000</u>	<u>244,507</u>	<u>--</u>
Component unit:				
Barbourville Utility Commission	15,486,398	14,962,690	--	--
Total component unit	<u>\$ 15,486,398</u>	<u>\$ 14,962,690</u>	<u>\$ --</u>	<u>\$ --</u>
General revenues:				
Taxes:				
Occupational taxes				
Insurance premium taxes				
Property taxes				
Restaurant and motel taxes				
Franchise taxes				
Utility taxes				
Other taxes				
Gain (loss) on sale of assets				
Investment income				
Miscellaneous				
Payments (to) from component unit to City				
Transfers				
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning of year		
		Net position, end of year		

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activity	Total	Component Unit
\$ (782,212)	\$ --	\$ (782,212)	\$ --
(1,069,490)	--	(1,069,490)	--
(186,182)	--	(186,182)	--
(272,488)	--	(272,488)	--
(342,405)	--	(342,405)	--
(27,973)	--	(27,973)	--
(2,680,750)	--	(2,680,750)	--
--	(80,536)	(80,536)	--
--	(80,536)	(80,536)	--
(2,680,750)	(80,536)	(2,761,286)	--
--	--	--	(523,708)
\$ --	\$ --	\$ --	\$ (523,708)
764,074	--	764,074	--
527,709	--	527,709	--
491,355	--	491,355	--
610,824	--	610,824	--
155,598	--	155,598	--
7,893	--	7,893	--
44,803	--	44,803	--
39,092	(82,524)	(43,432)	--
6,809	--	6,809	45,457
492,671	948	493,619	231,028
563,028	--	563,028	(563,028)
(669,853)	198,750	(471,103)	--
3,034,003	117,174	3,151,177	(286,543)
353,253	36,638	389,891	(810,251)
1,033,646	512,687	1,546,333	21,020,412
\$ 1,386,899	\$ 549,325	\$ 1,936,224	\$ 20,210,161

CITY OF BARBOURVILLE, KENTUCKY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,080,710	\$ 736,844	\$ 21,258	\$ 1,838,812
Insurance premium taxes receivable	131,119	--	--	131,119
Property taxes receivable, net	9,529	--	--	9,529
Franchise taxes receivable	18,941	--	--	18,941
Restaurant and motel taxes receivable	53,946	--	--	53,946
Intergovernmental receivable	4,819	--	24,945	29,764
Accounts receivable	55,734	--	--	55,734
Due from others	--	107,734	--	107,734
Investments	285,000	151,609	--	436,609
Total assets	<u>\$ 1,639,798</u>	<u>\$ 996,187</u>	<u>\$ 46,203</u>	<u>\$ 2,682,188</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 8,356	\$ 38,033	\$ --	\$ 46,389
Accrued salaries and payroll withholdings	103,099	--	--	103,099
Due to other funds	107,734	--	--	107,734
Accrued interest	1,479	--	--	1,479
Total liabilities	<u>220,668</u>	<u>38,033</u>	<u>--</u>	<u>258,701</u>
FUND BALANCES				
Restricted	--	--	13,166	13,166
Committed	--	958,154	33,037	991,191
Assigned	163,904	--	--	163,904
Unassigned	1,255,226	--	--	1,255,226
Total fund balances	<u>1,419,130</u>	<u>958,154</u>	<u>46,203</u>	<u>2,423,487</u>
Total liabilities and fund balances	<u>\$ 1,639,798</u>	<u>\$ 996,187</u>	<u>\$ 46,203</u>	<u>\$ 2,682,188</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 2,423,487

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

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental fund financial statements. 7,971,116

Accumulated depreciation has not been included in the
governmental fund financial statements. (5,034,402)

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported as liabilities
in the governmental fund financial statements. (553,421)

Liabilities such as net pension and OPEB liabilities are not due and
payable in the current period and, therefore, are not reported
as liabilities in governmental funds. The City's net pension and OPEB
liabilities are reported in the statement of net position. (4,034,544)

Deferred outflows and inflows of resources related to pension and OPEB
plans are related to future periods and, therefore, are not reported
in governmental funds. The City's deferred outflows (\$1,082,990)
and deferred inflows (\$468,327) are reported in the government-wide
statement of net position. 614,663

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,386,899

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Occupational taxes	\$ 764,074	\$ --	\$ --	\$ 764,074
Insurance premium taxes	527,709	--	--	527,709
Property taxes	491,355	--	--	491,355
Restaurant and motel taxes	--	610,824	--	610,824
Charges for services	357,780	--	--	357,780
Franchise taxes	155,598	--	--	155,598
Utility taxes	7,893	--	--	7,893
Other taxes	44,803	--	--	44,803
Licenses, fees, and permits	43,840	--	--	43,840
Intergovernmental revenue	161,214	--	252,605	413,819
Fines and forfeitures	--	--	6,710	6,710
Other revenues	316,646	--	--	316,646
Investment income	5,015	1,767	26	6,808
	<u>2,875,927</u>	<u>612,591</u>	<u>259,341</u>	<u>3,747,859</u>
Total revenues				
EXPENDITURES				
Current:				
General government	500,536	--	7,721	508,257
Public safety:				
Police department	1,046,644	--	--	1,046,644
Fire department	114,424	--	--	114,424
Public services	649,276	--	--	649,276
Tourist and recreation	2,963	310,448	--	313,411
Debt service:				
Principal payments	72,883	--	--	72,883
Interest on debt	27,973	--	--	27,973
Capital outlays	742,572	48,846	--	791,418
	<u>3,157,271</u>	<u>359,294</u>	<u>7,721</u>	<u>3,524,286</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (281,344)</u>	<u>\$ 253,297</u>	<u>\$ 251,620</u>	<u>\$ 223,573</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 284,129	\$ --	\$ --	\$ 284,129
Transfers to other funds	(471,103)	(236,889)	(245,989)	(953,981)
Payments from component units	563,028	--	--	563,028
Proceeds from sale of assets	<u>46,514</u>	<u>--</u>	<u>--</u>	<u>46,514</u>
Net other financing sources (uses)	<u>422,568</u>	<u>(236,889)</u>	<u>(245,989)</u>	<u>(60,310)</u>
Net change in fund balances	141,224	16,408	5,631	163,263
Fund balances, July 1, 2020	<u>1,277,906</u>	<u>941,746</u>	<u>40,572</u>	<u>2,260,224</u>
Fund balances, June 30, 2021	<u><u>\$ 1,419,130</u></u>	<u><u>\$ 958,154</u></u>	<u><u>\$ 46,203</u></u>	<u><u>\$ 2,423,487</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 163,263
--	------------

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 shown as an increase in capital assets.	791,418
---	---------

Capital assets are depreciated over their estimated useful lives and reported as depreciation expense in the statement of net assets. The effect of the current year's depreciation is to decrease net assets.	(394,447)
---	-----------

In the statement of activities, the net effect of various transactions involving capital assets, (sale or disposal) is reported. The change in net assets differs from the change in fund balance by this difference.	(7,421)
--	---------

Debt service principal payments are reported as a reduction in liabilities in the statement of net position, but are reported as expenditures in the fund financial statements because they use current financial resources.	72,883
--	--------

Governmental funds report the City's pension plan contributions (\$207,637) and OPEB contributions (\$56,382) as expenditures. However, in the government-wide statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported as pension expense (\$428,124) and OPEB expense (\$108,338).	<u>(272,443)</u>
--	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 353,253</u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2021

	Business-type Activities	Governmental Activities Internal Service Fund
	Recreational Park Fund	Self-Insurance Fund
ASSETS		
Current assets:		
Cash	\$ 188,264	\$ 628,218
Total current assets	<u>188,264</u>	<u>628,218</u>
Non-current assets:		
Capital assets		
Construction in process	136,840	
Land	126,000	--
Land development	438,284	--
Buildings	104,499	--
Equipment	77,660	--
Less accumulated depreciation	(517,126)	--
Total non-current assets	<u>366,157</u>	<u>--</u>
Total assets	<u><u>\$ 554,421</u></u>	<u><u>\$ 628,218</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 4,442	\$ --
Wages and payroll taxes payable	654	--
Claims payable	--	34,404
Total current liabilities	<u>5,096</u>	<u>34,404</u>
Total liabilities	<u><u>5,096</u></u>	<u><u>34,404</u></u>
NET POSITION		
Net investment in capital assets	366,157	--
Unrestricted	<u>183,168</u>	<u>593,814</u>
Total net position	<u><u>\$ 549,325</u></u>	<u><u>\$ 593,814</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Business-type Activities	Governmental Activities Internal Service Fund
	Recreational Park Fund	Self-Insurance Fund
OPERATING REVENUES		
Charges for services:		
RV pad rental income	\$ 74,381	\$ --
Other rental income	3,000	--
Total charges for services	77,381	--
Other revenues	948	
Total operating revenues	78,329	--
OPERATING EXPENSES		
Personal services	11,697	--
Repairs and maintenance	17,022	--
Utilities	22,253	--
Operations expense	72,270	--
Supplies	120	--
Depreciation	32,698	--
Other operating expenses	1,857	--
Insurance	--	278,436
Total operating expenses	157,917	278,436
Operating (loss)	(79,588)	(278,436)
NON-OPERATING REVENUE		
Loss on disposal of property	(82,524)	--
Investment income	--	1,441
Transfers from other funds	198,750	471,103
Total non-operating revenue	116,226	472,544
Change in net position	36,638	194,108
Net position, beginning	512,687	399,706
Net position, ending	\$ 549,325	\$ 593,814

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	<u>Business-type Activities</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Recreational Park Fund</u>	<u>Self-Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 77,381	\$ --
Cash payments to suppliers for goods and services	(112,102)	--
Cash payments to employees for services	(11,933)	--
Cash payments for claims	--	(253,726)
Other cash received	946	--
Net cash (used in) operating activities	<u>(45,708)</u>	<u>(253,726)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	198,750	471,103
Net cash provided by noncapital financing activities	<u>198,750</u>	<u>471,103</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(140,554)	--
Proceeds on sale of property	48,038	--
Net cash (used in) capital and related financing activities	<u>(92,516)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	--	1,441
Net cash (used in) investing activities	<u>--</u>	<u>1,441</u>
 Net increase in cash	60,526	218,818
Cash at July 1, 2020	<u>127,738</u>	<u>409,400</u>
Cash at June 30, 2021	<u><u>\$ 188,264</u></u>	<u><u>\$ 628,218</u></u>
 RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES		
Operating (loss)	<u>\$ (79,588)</u>	<u>\$ (278,436)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	32,698	--
Change in assets and liabilities net of the effects of investing and financing activities:		
Accounts payable	1,419	--
Wages and payroll taxes payable	(237)	--
Claims payable	--	24,710
Total adjustments	<u>33,880</u>	<u>24,710</u>
Net cash (used in) operating activities	<u><u>\$ (45,708)</u></u>	<u><u>\$ (253,726)</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2021

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 8,976
Property taxes receivable	<u>7,442</u>
Total assets	<u><u>\$ 16,418</u></u>
LIABILITIES	
Due to Board of Education	<u>\$ 16,418</u>
Total liabilities	<u><u>\$ 16,418</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Barbourville, Kentucky (City) was incorporated under the provisions set forth by the Commonwealth of Kentucky. The City operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police and fire), street improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

Component units are reported in the City's Comprehensive Annual Financial Report (CAFR) as follows:

Blended Component Units Reported with the Primary Government:

Barbourville Tourist and Recreation Commission - The Commission was created in April 1994 to promote recreational, convention, and tourist activities in Barbourville and Knox County, Kentucky. The Commission's board is appointed by the Mayor of the City of Barbourville and the Barbourville City Council includes the Commission in its annual budget. The Commission is funded through a 3% restaurant and 3% motel tax which is collected by the Barbourville City Clerk and disbursed to the Commission in accordance with the Commission's annual budget.

Barbourville Recreational Park, Inc. - Accounts for all ball park and RV park revenues and expenses in a separate enterprise fund.

Discretely Presented Component Unit:

The Barbourville Utility Commission – The Utility Commission was organized to administer and operate the utility system of the City of Barbourville. The Utility Commission is a wholly-owned agency of the City of Barbourville and commissioners are appointed by the City Council. The Utility Commission is self-supporting and renders services on a user-charge basis. Any excess funds available from the operations of the Utility Commission may be requested by the City for its general use. This transfer of funds does not result in a liability to the City. The Utility Commission issues separately audited financial statements and reports using the enterprise fund model. Copies of the component unit report may be obtained from the Utility Commission office at 202 Daniel Boone Drive, Barbourville, KY 40906.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Related Organization

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the related organization. The City has one related organization as follows:

Housing Authority of the City of Barboursville - The Authority was chartered as a public corporation under the laws of the Commonwealth of Kentucky. The purpose of the Authority is to administer a low rent housing program. The Authority's Board of Commissioners is appointed by the Mayor of the City of Barboursville. Any surpluses of the Authority are not recoverable by the City. All excess funds not needed for operations are returned to the U.S. Department of Housing and Urban Development (HUD) and the City is not responsible for any deficits of the Authority. The Authority reports independently.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, internal service and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The fiduciary fund is custodial in nature and does not involve measurement of results of operations. Accordingly, the statement presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary, internal service fund, and fiduciary fund financial statements and financial statements of the City component unit also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general long-term obligation principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: restaurant and motel taxes, property taxes, franchise taxes, insurance premium taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Types and Major Funds

The City reports the following major governmental funds:

General Fund – This fund reports as the primary fund of the City. It accounts for all financial resources not reported in other funds. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Tourism and Recreation Fund (Barbourville Tourist and Recreation Commission) – This fund accounts for the City's restaurant and motel tax receipts and expenditures related to promoting tourism and recreation in the City.

The City reports the following major proprietary fund:

Recreational Park Fund (Barbourville Recreational Park, Inc.) – Accounts for the operating activities of the City's recreational park.

The City reports the following internal service fund:

Self-Insurance Fund – Accounts for the City's self-insurance fund.

The City also reports the following fiduciary fund:

Agency Fund – Agency funds account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The School Tax Fund is used to account for school tax receipts collected and held by the City on behalf of the Board of Education.

Accounts receivable

Accounts receivable are stated at net realizable value with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Intergovernmental receivable

Intergovernmental receivables are comprised of amounts due from state grants. Revenue is recorded as earned when eligibility requirements are met.

Parts not in service

Parts not in service represents component unit inventories of expendable supplies which are stated at lower of cost or net realizable value on a first-in, first-out basis. They are reported at cost and are recorded as expenditures at the time individual inventory items are used.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value which approximates cost. Investments representing customer deposits in the component unit are classified as restricted assets in the government-wide financial statements.

Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and component unit financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 40
Land Improvements	15 - 20
Infrastructure	25
Equipment	5 - 20
Vehicles	5 - 15

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. All vacation pay must be used in the year it is earned. Unused sick leave is purchased by the City in December at the regular rate of pay. An employee who has completed probation and whose employment is terminated shall be paid for all accumulated vacation leave. As of June 30, 2021, the liability for accrued vacation leave included in the financial statements of the City was \$32,310.

The employees of the discretely presented component unit are entitled to vacation pay at similar terms except that vacation pay earned and not used can be carried over to subsequent years. An employee can request disbursement of unused vacation pay in lieu of time off. As of June 30, 2021, accrued vacation leave for the component unit was \$376,183.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Long-term obligations are recognized as an expenditure of a governmental fund only when payment is made or when payment is due in the current period. Issuance costs are reported as expenditures.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position

In the statement of net position, the difference between the City's assets and liabilities is recorded as net position. Three components of net position are as follows:

- Net investment in capital assets – capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.
- Restricted – limitation imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted – net position not appropriated for expenditures or legally segregated for a specific future use.

Fund Balances

Beginning with fiscal year 2012, the City implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

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

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied annually on October 1st and are based on the assessed value of property as listed on the previous January 1st. Taxes are due November 30th with payments prior to October 31st discounted. Penalties are assessed in December and interest accrues beginning in January. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts. Over time, substantially all property taxes are collected. The City's property taxes on motor vehicles are collected by the Knox County Clerk as vehicles are registered. These taxes are remitted to the City monthly.

Insurance Premium Fees

The City has an ordinance imposing a 9% license fee on insurance premium policies written within the corporate limits of the City.

Payment from Component Units

The Barbourville Utility Commission is a component unit of the City and any excess monies available may be requested by the City for its general use. The City received \$563,028 in transfers from the utility commission during the year ended June 30, 2021. This is comprised of \$563,028 in cash payments.

Budgetary Information

Formal budgetary accounting is employed as a management control for certain funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, the special revenue funds, and the proprietary fund. Once approved, the City council may amend the legally adopted budget when unexpected modifications are required in estimating revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and detail line items. The budgets are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable disbursement is expected to occur. Actual results are reported on the GAAP basis, and variances reflect reconciliation differences primarily due to revenue and expenditure accruals.

Excess of appropriations over expenditures

For the year ended June 30, 2021, final budgeted appropriations exceeded actual expenditures and other financing sources (uses) in the General Fund.

Subsequent events

Management has evaluated subsequent events through February 9, 2022, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates

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

Recently issued accounting pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. This pronouncement increases the usefulness of governments financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement is effective for the fiscal year ending June 30, 2023.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This pronouncement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. This statement is effective for the fiscal year ending June 30, 2022.

Management is currently in the process of evaluating the impact of the adoption of these statements on the City's financial statements.

Note 2. Cash, Investments and Fair Values

The City's cash and investments consist of \$2,027,075 in cash and \$436,609 in certificates of deposit at June 30, 2021. The discretely presented component unit's cash and investments consist of \$1,951,424 in cash and \$4,701,075 in certificates of deposit. The portion of certificates of deposit resulting from customer deposits is shown as restricted assets of the component unit. At June 30, 2021, the amount shown as restricted assets totaled \$1,042,631.

GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect a City's own assumptions of market participant valuation (Level 3).

Financial instruments that are subject to fair value measurements are limited to investments. Fair values of these financial instruments have been valued using a market approach and are measured using Level 2 inputs. The fair value of investments approximates its carrying amount.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Investments and Fair Values (Continued)

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. The entire bank balances were covered by federal depository insurance or by collateralized U.S. government agency and local government agency securities held by the City's agent in the City's name as of June 30, 2021.

Note 3. Property Taxes Receivable

Property taxes receivable as of June 30, 2021 consist of the following items:

<u>Assessment Year</u>	<u>Property Taxes Due</u>	<u>Less Allowance</u>	<u>Net Property Taxes</u>
2017	\$ 2,348	\$ 1,175	\$ 1,173
2018	2,056	1,028	1,028
2019	1,835	917	918
2020	2,121	1,060	1,061
2021	5,349	- -	5,349
Totals	<u>\$ 13,709</u>	<u>\$ 4,180</u>	<u>\$ 9,529</u>

Note 4. Interfund Activity

Due To/From Other Funds

Balances representing due to/from other funds represent restaurant and motel taxes receivable and collections in the General Fund that have not yet been transferred to the Tourism and Recreation Fund. At June 30, 2021, the amount due to the Tourism and Recreation Fund from the General Fund amounted to \$107,734. Any residual balances outstanding between the governmental activities and business-type activities would be reported in the government-wide financial statement as internal balances.

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Activity (Continued)

Interfund Transfers

Interfund transfers are used to reallocate budgeted support or special revenues from the fund that collects them to the fund that is budgeted to expend them or to move unrestricted revenues collected within a fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the component unit is inconsistent with the activities of that unit. Interfund transfers within these units for the year ended June 30, 2021, consisted of the following amounts:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
Governmental Funds:		
General Fund	\$ 847,156	\$ 471,103
Tourism & Recreation Fund	--	236,889
Nonmajor Funds	--	245,989
Proprietary Fund:		
Recreation Park	198,750	--
Internal Service Fund:		
Self-Insurance Fund	471,103	--
Component Unit		563,028
Total Transfers	<u>\$ 1,517,009</u>	<u>\$ 1,517,009</u>

Note 5. Capital Assets

During the year ended June 30, 2010, the discretely presented Component Unit deeded and transferred certain capital assets to the City in relation to mineral rights. The net book value of these assets was \$63,655. The mineral rights were then leased by the City to ARWI Robert Stivers Wellness Center, Inc. with an initial lease term of 25 years and no payment due on the lease. The rights are to be used for the purpose of a wellness center and will revert back to the City should these purposes be avoided or the company dissolve. It is expected that the lease will be renewed at the end of the term.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS, DEPRECIATED			Totals
		Buildings	Infrastructure and Improvements Other than Buildings	Equipment and Vehicles	
Primary Government:					
Governmental Activities:					
Balance, June 30, 2020	\$ 324,735	\$ 1,433,067	\$ 1,429,446	\$ 4,107,226	\$ 7,294,474
Increases	--	45,590	93,044	652,784	791,418
Decreases	--	--	--	(114,776)	(114,776)
Balance, June 30, 2021	\$ 324,735	\$ 1,478,657	\$ 1,522,490	\$ 4,645,234	\$ 7,971,116
Accumulated Depreciation:					
Balance, June 30, 2020	\$ --	\$ 794,623	\$ 878,689	\$ 3,073,997	\$ 4,747,309
Increases	--	30,890	52,787	310,770	394,447
Decreases	--	--	--	(107,354)	(107,354)
Balance, June 30, 2021	\$ --	\$ 825,513	\$ 931,476	\$ 3,277,413	\$ 5,034,402
Governmental Activities					
Capital Assets, Net	\$ 324,735	\$ 653,144	\$ 591,014	\$ 1,367,821	\$ 2,936,714
Business-type Activity:					
Balance, June 30, 2020	\$ 126,000	\$ 129,589	\$ 524,849	\$ 604,079	\$ 1,384,517
Increases	136,840	--	--	3,714	140,554
Decreases	--	(25,090)	(86,565)	(530,133)	(641,788)
Balance, June 30, 2021	\$ 262,840	\$ 104,499	\$ 438,284	\$ 77,660	\$ 883,283
Accumulated Depreciation:					
Balance, June 30, 2020	\$ --	\$ 87,934	\$ 486,771	\$ 420,949	\$ 995,654
Increases	--	5,427	6,520	20,751	32,698
Decreases	--	(18,519)	(81,957)	(410,750)	(511,226)
Balance, June 30, 2021	\$ --	\$ 74,842	\$ 411,334	\$ 30,950	\$ 517,126
Business-type Activity					
Capital Assets, Net	\$ 262,840	\$ 29,657	\$ 26,950	\$ 46,710	\$ 366,157
Primary Government					
Capital Assets, Net	\$ 587,575	\$ 682,801	\$ 617,964	\$ 1,414,531	\$ 3,302,871
Component Unit:					
Balance, June 30, 2020	\$ 2,851,604	\$ 25,287,161	\$ --	\$ 31,353,919	\$ 59,492,684
Increases	--	137,475	--	568,051	705,526
Decreases	--	--	--	(226,377)	(226,377)
Balance, June 30, 2021	\$ 2,851,604	\$ 25,424,636	\$ --	\$ 31,695,593	\$ 59,971,833
Accumulated Depreciation:					
Balance, June 30, 2020	\$ --	\$ 13,534,206	\$ --	\$ 16,035,699	\$ 29,569,905
Increases	--	733,702	--	1,500,141	2,233,843
Decreases	--	--	--	(226,377)	(226,377)
Balance, June 30, 2021	\$ --	\$ 14,267,908	\$ --	\$ 17,309,463	\$ 31,577,371
Component Unit					
Capital Assets, Net	\$ 2,851,604	\$ 11,156,728	\$ --	\$ 14,386,130	\$ 28,394,462

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

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

Governmental Activities:	
General government	\$ 123,780
Public safety:	
Police department	88,420
Fire department	88,968
Public services	64,285
Tourist and recreation	28,994
	<hr/>
Total governmental activities	394,447
	<hr/>
Business-type Activity:	
Recreational park	32,698
	<hr/>
Total business-type activity	32,698
	<hr/>
	<hr/>
Total depreciation expense	\$ 427,145
	<hr/> <hr/>

Note 6. Self-Insurance Program

The City records an estimated liability for a self-insurance program for hospitalization and medical coverage for its employees. The liability is based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience. The claims expense related to the self-insurance program was \$245,550 and \$371,793 for the years ended June 30, 2021 and 2020, respectively. The City limits its losses through the use of stop-loss policies from re-insurers. Specific individual losses for claims are limited to \$45,000 per individual with an aggregating specific of \$80,000 per year. Additionally, individual high cost claims may be segregated from the group and subjected to a \$125,000 specific stop loss.

Changes in the balances of claims payable during the year ended June 30, 2021 is as follows:

Year Ending	Beginning Balance	Claims and changes in estimates	Claim payments	Ending Balance
6/30/2020	\$ 100,269	252,958	(343,533)	\$ 9,694
6/30/2021	\$ 9,694	315,395	(290,685)	\$ 34,404

The component unit has a similar self-insurance program for its employees. Under this plan, specific individual losses for claims are limited to \$45,000 a year. The claim payments related to the self-insurance program were \$609,996 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt and Capital Leases

The City has a note payable to Forcht Bank, originating November 5, 2018 in the amount of \$171,199 for the purpose of purchasing a street sweeper vehicle. The note is secured by the street sweeper vehicle, with an interest rate of 3.99%, payable in 59 monthly installments of \$1,042 and a final balloon payment in November 2023 for \$141,420. The balance due as of June 30, 2021 was \$156,045.

On November 5, 2009, the component unit made an agreement with the Department of the Army, Corps of Engineers for the use of water storage space in the Laurel Lake Reservoir. In consideration of this right, the Commission signed a note in the amount of \$1,291,299, with an interest rate of 4.625% adjusted at five-year intervals throughout the (30) thirty year repayment period, beginning December 2009. The interest rate at June 30, 2021 was 3.50%. Principal and interest payments are payable annually on December 1. The balance due as of June 30, 2021 was \$913,436.

On December 20, 2011, the component unit made an agreement with the Department of the Army, Corps of Engineers for the use of water storage space in the Laurel Lake Reservoir. In consideration of this right, the Commission signed a note in the amount of \$612,310, with an interest rate of 4.125% adjusted at five-year intervals throughout the (30) thirty year repayment period, beginning March 2012. The interest rate at June 30, 2021 was 2.50%. Principal and interest payments are payable annually on March 1. The balance due as of June 30, 2021 was \$456,548.

On February 1, 2012, the component unit made an agreement with the Kentucky Infrastructure Authority to borrow up to \$4,000,000 to upgrade the raw water intake system at an interest rate of 1%. Interest payments are due beginning six months after the first construction draw with principal due once the project is complete. In addition, 40% of each draw is forgiven at the time of request. The project was completed during the year ended June 30, 2015, and the component unit began making principal and interest payments during the year ended June 30, 2016. The balance due as of June 30, 2021 was \$1,729,572.

On November 2, 2012, the component unit made an agreement with the Kentucky Infrastructure Authority to borrow up to \$6,800,000 to expand the sewer system at an interest rate of 1%. Principal and interest payments are due on June 1 and December 1 each year and the note is scheduled to be paid in full June 2035. The maximum amount of \$1,200,000 was forgiven during the year ended June 30, 2014. The balance due as of June 30, 2021 was \$3,741,507.

On October 1, 2016, the component unit made an agreement was made with the Kentucky Infrastructure Authority to borrow up to \$1,856,109 to rehab the sewer collection lines at an interest rate of 0.75%. The maximum amount of \$185,611 was forgiven on the loan leaving a principal balance of \$1,670,498. Principal and interest payments are due on June 1 or December 1 each year and the note is scheduled to be paid in full December 2037. The balance due as of June 30, 2021 was \$1,395,918.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt and Capital Leases (Continued)

Capital Lease Obligations

The City finances certain buildings and equipment acquisitions under capital lease agreements expiring through 2024. The assets and liabilities on the capital lease are recorded at the fair value of the assets and are depreciated over the estimated productive life of the asset which is generally longer than the lease term. Leased assets are recorded at a cost of \$323,129 and related accumulated depreciation of \$79,698 as of June 30, 2021.

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

Description	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Due Within One Year
Primary Government					
Governmental Activities					
Long-term debt	<u>\$ 162,359</u>	<u>\$ --</u>	<u>\$ 6,314</u>	<u>\$ 156,045</u>	<u>\$ 6,304</u>
Leases payable	<u>\$ 463,946</u>	<u>\$ --</u>	<u>\$ 66,569</u>	<u>\$ 397,377</u>	<u>\$ 73,067</u>
Component Unit					
Long-term debt	<u>\$8,730,661</u>	<u>\$ --</u>	<u>\$ 493,680</u>	<u>\$ 8,236,981</u>	<u>\$497,278</u>

The annual debt service requirements to maturity for long-term debt are as follows:

Year Ending June 30	Governmental Activities		Component Unit	
	Principal	Interest	Principal	Interest
2022	\$ 6,304	\$ 6,197	\$ 497,278	\$ 107,580
2023	6,564	5,937	503,183	101,676
2024	143,177	2,410	509,181	95,677
2025	--	--	515,277	89,582
2026	--	--	521,461	83,389
2025-2029	--	--	2,703,865	333,744
2030-2034	--	--	2,454,097	163,714
2035-2039	--	--	505,109	36,028
2040-2044	--	--	27,530	668
Totals	<u>\$ 156,045</u>	<u>\$ 14,544</u>	<u>\$ 8,236,981</u>	<u>\$ 1,012,058</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt and Capital Leases (Continued)

A summary of the District's capital lease payments (principal, interest and fees) as of June 30, 2021, is as follows:

Fiscal year	KACO	Enterprise Fleet	Total	Less: Interest and Fees
2022	\$ 74,540	\$ 18,757	\$ 93,297	\$ 20,230
2023	76,890	18,757	95,647	16,082
2024	74,128	18,757	92,885	11,821
2025	76,265	8,262	84,527	6,979
2026	72,645	16,134	88,779	2,646
Total	<u>\$ 374,468</u>	<u>\$ 80,667</u>	<u>\$ 455,135</u>	<u>\$ 57,758</u>

The present value of the minimum debt service payments on the remaining \$397,377 capital lease obligations as of June 30, 2021, is summarized as follows:

Minimum debt service payments	\$ 455,135
Less interest	(57,758)
Present value, debt service payment	<u>\$ 397,377</u>

Note 8. Operating Leases

The City entered into a 15 year lease agreement with Estil and Elizabeth Scalf to lease approximately 100 acres of land in Knox County for a landfill. This lease agreement has subsequently expired; however, the City's landfill committee has agreed to continue paying lease payments in the amount of \$100 per month. For the year ended June 30, 2021, lease payments for the landfill totaled \$1,200.

The City entered into a 20 year lease agreement with Union College effective September 16, 1976, for the purpose of developing and operating a county wide recreation park for the establishment of recreation facilities for the benefit and use of the citizens and youth of Knox County, Kentucky. Lease payments in the amount of \$1 were due annually. In November of 1995, the City exercised an option for an additional 10 year period under the same terms and conditions and prepaid the 10 year lease amount. The City has extended this lease, on an annual basis since the September 16, 2006 expiration. For the year ended June 30, 2019 the lease agreement was declared null and void by Union College due to required repairs not being completed. The waterpark was subsequently closed. Other areas of the park remain open and there are no future plans to re-open the water park and all assets have been sold or disposed.

The City entered into a 10 year lease agreement with Evans Investment to lease land by the Cumberland River to be used for recreational purposes. The lease was effective March 15, 2007. Payments for the leased property are \$400 per year paid annually on the anniversary date of the lease agreement. This lease expired in March 2017 and was renewed under the same terms and conditions for another 10 year term to expire March 2027.

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Leases (Continued)

The City entered into a 10 year lease with Commercial Bank, formerly known as Union National Bank and Trust Company, for a parking lot to be used as a free parking lot. The lease was effective December 6, 2006. Payment terms for the lease were as follows: the City paid on behalf of the Bank, as they became due each year, during the term of the lease, all State, County, City and School property taxes assessed against the property. The lease included retaining six parking spots for bank employees. This lease agreement was terminated by the City in writing on April 11, 2014. Subsequently, the lease was renewed in July 2015, with new terms and conditions. The Bank is now responsible for all property taxes assessed and will still retain six parking spots for bank employees.

Note 9. County Employees' Retirement System

Plan Description: The City has elected to participate in the County Employees Retirement System (CERS), pursuant to Kentucky Revised Statute 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Historical trend information showing CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-696-8800.

Benefits Provided: Benefits fully vested on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit, or at least 10 years of service and 60 years old. Nonhazardous employees who begin participation on or after December 31, 2013 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The City's contribution rate for nonhazardous employees was 19.30%, 19.30%, and 16.22% for the years ended June 30, 2021, 2020, and 2019, respectively. Total nonhazardous contributions made by the City were \$133,818, \$120,574 and \$90,772 for the years ended June 30, 2021, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary to be allocated as follows: 8.00% will go to the member's account and 1.00% will go to the KRS's insurance fund. The City's contribution rate for hazardous employees was 30.06%, 30.06%, and 24.86% for the years ended June 30, 2021, 2020, and 2019, respectively. Total hazardous contributions made by the City were \$73,819, \$70,229 and \$63,180 for the years ended June 30, 2021, 2020 and 2019, respectively.

The employees of the component unit are also covered under CERS and are all nonhazardous employees. Total nonhazardous contributions made by the Component Unit were \$469,053, \$455,375 and \$359,489 for the years ended June 30, 2021, 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2021, the City and component unit reported a liability of \$3,076,373 and \$7,056,784, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and component unit's proportion of the net pension liability was based on a projection of the City and component unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was 0.039989% for hazardous covered employees and 0.024390% for nonhazardous covered employees. At June 30, 2020, the component unit's proportion was 0.092006% for nonhazardous covered employees.

For the City, pension expense totaled \$428,124 for the year ended June 30, 2021. As of June 30, 2021, the City had deferred outflows and inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 118,773	\$ --
Net differences between projected and actual earnings on investments	126,746	(52,774)
Difference between actual and expected experience	84,042	--
Changes in proportion and differences between City's contributions and proportionate share of contributions	110,568	(171,068)
City's contributions subsequent to the measurement date	207,637	--
	<u>\$ 647,766</u>	<u>\$ (223,842)</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

The City's deferred outflows of resources totaling \$207,637 will be recognized as a reduction of the net pension liability during the year ending June 30, 2022. Amounts reported as deferred outflows and inflows of resources as of June 30, 2021 will be recognized into pension expense as follows:

Year Ending June 30:		
2022	\$	89,326
2023		82,007
2024		22,562
2025		22,392
	\$	<u>216,287</u>

For the component unit, pension expense totaled \$1,226,784 for the year ended June 30, 2021. As of June 30, 2021, the component unit had deferred outflows and inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 275,556	\$ - -
Net differences between projected and actual earnings on investments	305,888	(129,301)
Difference between actual and expected experience	175,974	- -
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	287,668	(14,181)
Commission contributions subsequent to the measurement date	469,053	- -
	<u>\$ 1,514,139</u>	<u>\$ (143,482)</u>

The component unit's deferred outflows of resources totaling \$469,053 will be recognized as a reduction of the net pension liability during the year ending June 30, 2022. Amounts reported as deferred outflows and inflows of resources as of June 30, 2021 will be recognized into pension expense as follows:

Year Ending June 30:		
2022	\$	416,253
2023		313,216
2024		101,213
2025		70,922
	\$	<u>901,604</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to years included in the measurement:

Inflation:	2.30%
Salary increases:	3.30% to 18.55% varies by service
Investment rate of return:	6.25%

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles.

The Mortality Table used for active members is RP-200 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of 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%
	100.00%	

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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

	1% Decrease - 5.25%	Current Discount Rate - 6.25%	1% Increase - 7.25%
Net Pension Liability - Nonhazardous	\$ 2,306,971	\$ 1,870,693	\$ 1,509,438
Net Pension Liability - Hazardous	1,490,048	1,205,680	973,560
Total Net Pension Liability	<u>\$ 3,797,019</u>	<u>\$ 3,076,373</u>	<u>\$ 2,482,998</u>

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

	1% Decrease - 5.25%	Current Discount Rate - 6.25%	1% Increase - 7.25%
Net Pension Liability - Nonhazardous	<u>\$ 8,702,550</u>	<u>\$ 7,056,784</u>	<u>\$ 5,694,027</u>

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

Note 10. Other Postemployment Benefits

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The City and the Component Unit participates in both the nonhazardous and hazardous plan.

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

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

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Portion Paid by Insurance Fund</u>	
<u>Years of Service</u>	<u>Paid by Insurance Fund (%)</u>
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. There was no legislation enacted during the 2018 legislative session that had a material change in benefit provisions for either system.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The City and Component Unit's contribution rate to the KRS Insurance Fund for nonhazardous employees was 4.76%, 4.76%, and 5.26% for the years ended June 30, 2021, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary. The City's OPEB contribution rate for hazardous employees was 9.52%, 9.52%, and 10.48% for the years ended June 30, 2021, 2020, and 2019, respectively. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation.

Contributions to the KRS Insurance Fund from the City were \$56,382, \$51,979, and \$56,071 for the years ended June 30, 2021, 2020, and 2019, respectively. Contributions to the KRS Insurance Fund from the Component Unit were \$115,683, \$112,310, and \$116,579 for the years ended June 30, 2021, 2020, and 2019, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the City and Component Unit reported a liability of \$958,171 and \$2,221,037, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles. The City and Component Unit's proportion of the net OPEB liability was based on the City and Component Unit's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2020, the City and Component Unit's proportion was 0.024382% and 0.091980%, respectively, for nonhazardous covered employees. For hazardous covered employees the City's proportion was 0.039976% and the Component Unit did not have any hazardous covered employees.

For the year ended June 30, 2021, the City and Component Unit recognized OPEB expense of \$108,338 and \$268,841, respectively. At June 30, 2021, the City and Component Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 162,675	\$ (963)
Net differences between projected and actual earnings on investments	58,937	(22,969)
Difference between actual and expected experience	111,045	(135,336)
Changes in proportion and differences between City's contributions and proportionate share of contributions	46,185	(85,217)
City's contributions subsequent to the measurement date	56,382	--
	<u>\$ 435,224</u>	<u>\$ (244,485)</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Component Unit

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 386,329	\$ (2,349)
Net differences between projected and actual earnings on investments	119,142	(45,320)
Difference between actual and expected experience	371,089	(371,379)
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	87,565	(24,842)
Commission's contributions subsequent to the measurement date	115,683	- -
	<u>\$ 1,079,808</u>	<u>\$ (443,890)</u>

The City and Component Unit's deferred outflows of resources of \$56,382 and \$115,683, respectively, related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources as of June 30, 2021 will be recognized into OPEB expense (income) as follows:

City

Year Ending June 30:

2022	\$ 26,915
2023	31,273
2024	40,321
2025	37,908
2026	(2,060)
	<u>\$ 134,357</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Component Unit

2022	\$ 135,880
2023	157,726
2024	115,850
2025	115,043
2026	(4,264)
	\$ 520,235

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.05% to 18.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of 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%
	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability was 5.34% for nonhazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of the City and Component Unit's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the City and Component Unit's proportionate share of the net OPEB liability calculated using the discount rate of 5.34% for nonhazardous and 5.30% for hazardous, as well as what the City and Component Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34% for nonhazardous and 4.30% for hazardous) or 1-percentage-point higher (6.34% for nonhazardous and 6.30% for hazardous) than the current rate:

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

City

	1% Decrease - 4.34% Nonhazardous, 4.30% Hazardous	Current Discount Rate - 5.34% Nonhazardous, 5.30% Hazardous	1% Increase - 6.34% Nonhazardous, 6.30% Hazardous
Net OPEB Liability - Nonhazardous	\$ 756,372	\$ 588,751	\$ 451,078
Net OPEB Liability - Hazardous	501,479	369,420	263,008
Total Net OPEB Liability	<u>\$ 1,257,851</u>	<u>\$ 958,171</u>	<u>\$ 714,086</u>

Component Unit

	1% Decrease - 4.34% Nonhazardous	Current Discount Rate - 5.34% Nonhazardous	1% Increase - 6.34% Nonhazardous
Net OPEB Liability - Nonhazardous	<u>\$ 2,853,381</u>	<u>\$ 2,221,037</u>	<u>\$ 1,701,672</u>

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

City

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	\$ 455,841	\$ 588,751	\$ 750,041
Net OPEB Liability - Hazardous	263,999	369,420	499,027
Total Net OPEB Liability	<u>\$ 719,840</u>	<u>\$ 958,171</u>	<u>\$ 1,249,068</u>

Component Unit

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	<u>\$ 1,719,638</u>	<u>\$ 2,221,037</u>	<u>\$ 2,829,497</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Changes of assumptions: The KRS Board of Trustees adopted updated actuarial assumptions which was used in performing the actuarial valuation as of June 30, 2020. Specifically, total OPEB liability as of June 30, 2020 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Note 11. Asset Forfeitures

During 2021, the City maintained an asset forfeiture account as a result of investigations or prosecutions that resulted in forfeited drug money and property. These funds are legally restricted for law enforcement activities, including training, equipment and operations, facilities and equipment, drug education and awareness. These funds are not available for excess fee purposes. As of June 30, 2021, the total cash balance, reserved for these purposes was \$19,254. Collections and expenditures for the year ended June 30, 2021 were \$6,710 and \$7,721, respectively.

Note 12. Fund Balances – Governmental Funds

As of June 30, 2021, fund balances are composed of the following:

	General Fund	Tourism and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Street maintenance	\$ --	\$ --	\$ 13,166	\$ 13,166
Committed to:				
Law enforcement	--	--	33,037	33,037
Tourism and recreation	--	958,154	--	958,154
Assigned to:				
Fire service	163,904	--	--	163,904
Unassigned:	1,255,226	--	--	1,255,226
Total fund balances	<u>\$ 1,419,130</u>	<u>\$ 958,154</u>	<u>\$ 46,203</u>	<u>\$ 2,423,487</u>

When an expenditure is incurred for purposes for which both assigned and unassigned fund balance is available, the City considers assigned funds to have been spent first.

NOTES TO FINANCIAL STATEMENTS

Note 13. Uncertainty

Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of February 9, 2022, management believes that a material impact on the City's financial position and result of future operations is reasonably possible.

SUPPLEMENTARY INFORMATION

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Occupational taxes	\$ 636,000	\$ 636,000	\$ 764,074	\$ 128,074
Insurance premium taxes	515,000	515,000	527,709	12,709
Property taxes	491,700	504,344	491,355	(12,989)
Charges for services	371,850	371,850	357,780	(14,070)
Franchise taxes	148,000	148,000	155,598	7,598
Utility taxes	19,000	19,000	7,893	(11,107)
Other taxes	41,000	41,000	44,803	3,803
Licenses, fees, and permits	4,500	4,500	43,839	39,339
Intergovernmental revenue	102,177	150,007	161,214	11,207
Other revenues	89,900	365,328	316,647	(48,681)
Investment income	6,000	5,450	5,015	(435)
Total revenues	2,425,127	2,760,479	2,875,927	115,448
EXPENDITURES				
Current:				
General government	566,957	615,801	500,536	(115,265)
Public safety:				
Police department	1,264,849	1,301,541	1,046,644	(254,897)
Fire department	143,016	144,696	114,424	(30,272)
Public services	916,470	855,860	649,276	(206,584)
Tourist and recreation	10,000	3,000	2,963	(37)
Debt service	12,640	30,285	100,856	70,571
Capital outlays	68,500	403,179	742,572	339,393
Total expenditures	2,982,432	3,354,362	3,157,271	(197,091)
Excess (deficiency) of revenues over (under) expenditures				
	\$ (557,305)	\$ (593,883)	\$ (281,344)	\$ 312,539

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 257,305	\$ 247,943	\$ 284,129	\$ 36,186
Transfers to other funds	--	--	(471,103)	(471,103)
Payments from component units	300,000	300,000	563,028	263,028
Proceeds from sale of assets	<u>--</u>	<u>45,940</u>	<u>46,514</u>	<u>574</u>
Net other financing sources	<u>557,305</u>	<u>593,883</u>	<u>422,568</u>	<u>(171,315)</u>
Net change in fund balances	--	--	141,224	141,224
Fund balance, July 1, 2020	<u>1,277,906</u>	<u>1,277,906</u>	<u>1,277,906</u>	<u>--</u>
Fund balance, June 30, 2021	<u><u>\$ 1,277,906</u></u>	<u><u>\$ 1,277,906</u></u>	<u><u>\$ 1,419,130</u></u>	<u><u>\$ 141,224</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TOURISM AND RECREATION FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Restaurant tax	\$ 493,000	\$ 582,000	\$ 587,669	\$ 5,669
Motel tax	20,000	20,000	23,155	3,155
Other revenues	2,410	2,410	--	(2,410)
Investment income	--	--	1,767	1,767
Total revenues	<u>515,410</u>	<u>604,410</u>	<u>612,591</u>	<u>8,181</u>
EXPENDITURES				
Current:				
Tourist and recreation	329,420	357,610	310,448	(47,162)
Capital outlays	<u>48,050</u>	<u>48,050</u>	<u>48,846</u>	<u>796</u>
Total expenditures	<u>377,470</u>	<u>405,660</u>	<u>359,294</u>	<u>(46,366)</u>
Excess of revenues over expenditures	<u>137,940</u>	<u>198,750</u>	<u>253,297</u>	<u>54,547</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(137,940)</u>	<u>(198,750)</u>	<u>(236,889)</u>	<u>(38,139)</u>
Net other financing (uses)	<u>(137,940)</u>	<u>(198,750)</u>	<u>(236,889)</u>	<u>(38,139)</u>
Net change in fund balances	--	--	16,408	16,408
Fund balance, July 1, 2020	<u>941,746</u>	<u>941,746</u>	<u>941,746</u>	<u>--</u>
Fund balance, June 30, 2021	<u><u>\$ 941,746</u></u>	<u><u>\$ 941,746</u></u>	<u><u>\$ 958,154</u></u>	<u><u>\$ 16,408</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	Asset Forfeiture Fund	Municipal Aid Road Fund	Coal Severance Tax Fund	Alcohol Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash	\$ 19,254	\$ 1,003	\$ 1,001	\$ --	\$ 21,258
Accounts receivable, intergovernmental	--	6,955	4,207	13,783	24,945
Total assets	<u>\$ 19,254</u>	<u>\$ 7,958</u>	<u>\$ 5,208</u>	<u>\$ 13,783</u>	<u>\$ 46,203</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Total liabilities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
FUND BALANCES					
Restricted	--	7,958	5,208	--	13,166
Committed	<u>19,254</u>	<u>--</u>	<u>--</u>	<u>13,783</u>	<u>33,037</u>
Total fund balances	<u>19,254</u>	<u>7,958</u>	<u>5,208</u>	<u>13,783</u>	<u>46,203</u>
Total liabilities and fund balances	<u>\$ 19,254</u>	<u>\$ 7,958</u>	<u>\$ 5,208</u>	<u>\$ 13,783</u>	<u>\$ 46,203</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	Asset Forfeiture Fund	Municipal Aid Road Fund	Coal Severance Tax Fund	Alcohol Fund	Total Nonmajor Governmental Funds
REVENUES					
Intergovernmental revenue	\$ - -	\$ 68,733	\$ 14,560	\$ 169,312	\$ 252,605
Investment income	- -	23	3	- -	26
Fines and forfeitures	6,710	- -	- -	- -	6,710
Total revenues	6,710	68,756	14,563	169,312	259,341
EXPENDITURES					
Current:					
General government	7,721	- -	- -	- -	7,721
Total expenditures	7,721	- -	- -	- -	7,721
Excess (deficiency) of revenues over (under) expenditures	(1,011)	68,756	14,563	169,312	251,620
OTHER FINANCING (USES)					
Transfers to other funds	- -	(65,945)	(12,926)	(167,118)	(245,989)
Net other financing (uses)	- -	(65,945)	(12,926)	(167,118)	(245,989)
Net change in fund balances	(1,011)	2,811	1,637	2,194	5,631
Fund balances, July 1, 2020	20,265	5,147	3,571	11,589	40,572
Fund balances, June 30, 2021	\$ 19,254	\$ 7,958	\$ 5,208	\$ 13,783	\$ 46,203

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

	June 30,					
	2020	2019	2018	2017	2016	2015
NONHAZARDOUS						
City's proportion of net pension liability	0.024390%	0.022183%	0.023089%	0.021092%	0.018660%	0.018790%
City's proportionate share of the net pension liability	\$ 1,870,693	\$ 1,560,140	\$ 1,406,251	\$ 1,234,580	\$ 918,761	\$ 807,729
City's covered-employee payroll	\$ 624,736	\$ 559,630	\$ 572,274	\$ 508,555	\$ 445,144	\$ 464,700
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	299.44%	278.78%	245.73%	242.76%	206.40%	173.82%
Plan Fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%
HAZARDOUS						
City's proportion of net pension liability	0.039989%	0.044624%	0.049547%	0.062876%	0.068646%	0.090920%
City's proportionate share of the net pension liability	\$ 1,205,680	\$ 1,232,647	\$ 1,198,273	\$ 1,406,711	\$ 1,177,929	\$ 1,395,644
City's covered-employee payroll	\$ 233,630	\$ 254,141	\$ 276,001	\$ 341,809	\$ 356,885	\$ 461,345
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	516.06%	485.02%	434.16%	411.55%	330.06%	302.52%
Plan Fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%

* June 30, 2020, 2019, 2018, 2017, 2016 and 2015 reflect the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS

	June 30,						
	2021	2020	2019	2018	2017	2016	2015
NONHAZARDOUS							
Contractually required contribution	\$ 133,818	\$ 120,574	\$ 90,772	\$ 82,866	\$ 70,943	\$ 55,287	\$ 59,249
Contributions in relation to the contractually required contribution	(133,818)	(120,574)	(90,772)	(82,866)	(70,943)	(55,287)	(59,249)
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
City's covered employee-payroll	\$ 693,354	\$ 624,736	\$ 559,630	\$ 572,274	\$ 508,555	\$ 445,144	\$ 464,700
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
HAZARDOUS							
Contractually required contribution	\$ 73,819	\$ 70,229	\$ 63,180	\$ 61,273	\$ 74,207	\$ 72,305	\$ 95,637
Contributions in relation to the contractually required contribution	(73,819)	(70,229)	(63,180)	(61,273)	(74,207)	(72,305)	(95,637)
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
City's covered employee-payroll	\$ 245,572	\$ 233,630	\$ 254,141	\$ 276,001	\$ 341,809	\$ 356,885	\$ 461,345
Contributions as a percentage of covered-employee payroll	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	20.73%

* June 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY

	June 30,			
	2020	2019	2018	2017
NONHAZARDOUS				
City's proportion of net OPEB liability	0.024382%	0.022180%	0.023089%	0.021092%
City's proportionate share of the net OPEB liability	\$ 588,751	\$ 373,058	\$ 409,941	\$ 424,021
City's covered-employee payroll	\$ 624,736	\$ 559,630	\$ 572,274	\$ 508,555
City's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	94.24%	66.66%	71.63%	83.38%
Plan Fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%
HAZARDOUS				
City's proportion of net OPEB liability	0.039976%	0.044615%	0.049547%	0.062876%
City's proportionate share of the net OPEB liability	\$ 369,420	\$ 330,088	\$ 353,264	\$ 519,778
City's covered-employee payroll	\$ 233,630	\$ 254,141	\$ 276,001	\$ 341,809
City's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	158.12%	129.88%	127.99%	152.07%
Plan Fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	59.00%

* June 30, 2020, 2019, 2018 and 2017 reflects the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CITY OPEB CONTRIBUTIONS

	June 30,				
	2021	2020	2019	2018	2017
NONHAZARDOUS					
Contractually required contribution	\$ 33,004	\$ 29,737	\$ 29,437	\$ 26,898	\$ 24,055
Contributions in relation to the contractually required contribution	(33,004)	(29,737)	(29,437)	(26,898)	(24,055)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered employee-payroll	\$ 693,354	\$ 624,736	\$ 559,630	\$ 572,274	\$ 508,555
Contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	4.70%	4.73%
HAZARDOUS					
Contractually required contribution	\$ 23,378	\$ 22,242	\$ 26,634	\$ 25,806	\$ 31,959
Contributions in relation to the contractually required contribution	(23,378)	(22,242)	(26,634)	(25,806)	(31,959)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered employee-payroll	\$ 245,572	\$ 233,630	\$ 254,141	\$ 276,001	\$ 341,809
Contributions as a percentage of covered-employee payroll	9.52%	9.52%	10.48%	9.35%	9.35%

* June 30, 2021, 2020, 2019, 2018 and 2017 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPONENT UNIT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY

	June 30,						
	2020	2019	2018	2017	2016	2015	2014
NONHAZARDOUS							
Commission's proportion of net pension liability	0.092006%	0.086652%	0.084834%	0.087052%	0.082493%	0.082194%	0.084334%
Commission's proportionate share of the net pension liability	\$ 7,056,784	\$ 6,094,274	\$ 5,166,649	\$ 5,095,421	\$ 4,061,660	\$ 3,533,964	\$ 2,736,000
Commission's covered-employee payroll	\$ 2,359,456	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107	\$ 1,972,346	\$ 1,920,397	\$ 1,934,753
Commission's proportionate share of the net pension liability as a percentage of its employee-covered payroll	299.09%	274.97%	245.73%	242.63%	205.93%	184.02%	141.41%
Plan Fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 reflect the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF COMPONENT UNIT PENSION CONTRIBUTIONS

	June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
NONHAZARDOUS								
Contractually required contribution	\$ 469,053	\$ 455,375	\$ 359,489	\$ 304,456	\$ 292,965	\$ 244,851	\$ 244,851	\$ 265,835
Contributions in relation to the contractually required contribution	(469,053)	(455,375)	(359,489)	(304,456)	(292,965)	(244,851)	(244,851)	(265,835)
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
Commission's covered employee-payroll	\$ 2,430,325	\$ 2,359,456	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107	\$ 1,972,346	\$ 1,920,397	\$ 1,934,753
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

* June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF COMPONENT UNIT'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY**

	June 30,			
	2020	2019	2018	2017
NONHAZARDOUS				
Commission's proportion of net OPEB liability	0.091980%	0.086630%	0.084834%	0.087052%
Commission's proportionate share of the net OPEB liability	\$ 2,221,037	\$ 1,457,078	\$ 1,506,140	\$ 1,750,043
Commission's covered-employee payroll	\$ 2,359,456	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107
Commission's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	94.13%	65.74%	71.63%	83.33%
Plan Fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%

* June 30, 2020, 2019, 2018 and 2017 reflect the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF COMPONENT UNIT OPEB CONTRIBUTIONS

	June 30,				
	2021	2020	2019	2018	2017
NONHAZARDOUS					
Contractually required contribution	\$ 115,683	\$ 112,310	\$ 116,579	\$ 98,822	\$ 99,335
Contributions in relation to the contractually required contribution	(115,683)	(112,310)	(116,579)	(98,822)	(99,335)
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
Commission's covered employee-payroll	\$ 2,430,325	\$ 2,359,456	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107
Contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	4.70%	4.73%

* June 30, 2021, 2020, 2019, 2018 and 2017 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.



Jones, Nale & Mattingly PLC

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*

Mayor and the City Council
City of Barbourville
Barbourville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barbourville, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Barbourville, Kentucky's basic financial statements and have issued our report thereon dated February 9, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 of Barbourville, Kentucky'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.

This report is intended solely for the information and use of management, the Mayor and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Nale & Mattingly PC

Louisville, Kentucky
February 9, 2022