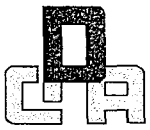


CITY OF BRANDENBURG, KENTUCKY
FINANCIAL STATEMENTS WITH ACCOMPANYING
INFORMATION

For the Year Ended June 30, 2020
and
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

CITY OF BRANDENBURG, KENTUCKY
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DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Brandenburg, Kentucky

Report on the Financial Statements

We have audited the accompanying Balance Sheet – Governmental Funds as of June 30, 2020 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements. We were engaged to audit the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky (City) as of and for the year ended June 30, 2020, and the related notes to these financial statements. These financial statements 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 of the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the related notes to those financial statements 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. Because of the matter described in the "Basis for Disclaimer of Opinions" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City as of and for the year ended June 30, 2020, and the related notes to these financial statements.

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 City'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 City'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 opinion on the Balance Sheet – Governmental Funds as of June 30, 2020 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements.

Basis for Disclaimer of Opinions

The City failed to record inventory balances for parts and supplies used in maintenance of the water and sewer systems. No inventory counts were taken, and we were not able to observe inventory at the end of the year. In addition, due to a lack of sufficient appropriate audit evidence regarding the opening balances of fixed assets, we were unable to satisfy ourselves as to the current balances and whether additional property and equipment should be subjected to depreciation expense during the current year. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the affected accounts.

Disclaimer of Opinions

Because of the significance of the matter described in the “Basis for Disclaimer of Opinions” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky as of and for the year ended June 30, 2020, and the related notes to these financial statements. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above, the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, present fairly, in all material respects, the financial position of the Governmental Funds of the City of Brandenburg, Kentucky as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 29 and 30 and the pension and OPEB schedules and notes on pages 31 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information shown on pages 36 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information shown on pages 36 through 39 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 36 through 39 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021 on our consideration of City of Brandenburg, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brandenburg, Kentucky's internal control over financial reporting and compliance.



Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

June 24, 2021

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 735,616	\$ 326,900	\$ 1,062,516
Receivables, net:			
Accounts - trade	29,725	104,451	134,176
Franchise fees	4,450	-	4,450
Taxes	84,741	-	84,741
Intergovernmental	7,507	-	7,507
Internal balances	186,757	(186,757)	-
Total Current Assets	<u>1,048,796</u>	<u>244,594</u>	<u>1,293,390</u>
Noncurrent Assets			
Restricted cash	180,933	714,074	895,007
Capital assets:			
Land and construction in process	90,464	258,470	348,934
Other capital assets, net of depreciation	1,022,543	4,701,283	5,723,826
Total Noncurrent Assets	<u>1,293,940</u>	<u>5,673,827</u>	<u>6,967,767</u>
Total Assets	<u>2,342,736</u>	<u>5,918,421</u>	<u>8,261,157</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	189,198	145,106	334,304
Deferred amounts related to OPEB	82,687	62,147	144,834
Total Deferred Outflows of Resources	<u>271,885</u>	<u>207,253</u>	<u>479,138</u>
Liabilities			
Current Liabilities			
Accounts payable	47,643	29,104	76,747
Accrued expenses	18,808	2,764	21,572
Accrued unpaid leave	14,100	25,796	39,896
Current portion of loan payable	-	41,807	41,807
Total Current Liabilities	<u>80,551</u>	<u>99,471</u>	<u>180,022</u>
Noncurrent Liabilities			
Loan payable	-	436,269	436,269
Net pension liability	916,499	710,807	1,627,306
Net OPEB liability	222,120	166,950	389,070
Total Noncurrent Liabilities	<u>1,138,619</u>	<u>1,314,026</u>	<u>2,452,645</u>
Total Liabilities	<u>1,219,170</u>	<u>1,413,497</u>	<u>2,632,667</u>
Deferred Inflows of Resources			
Deferred amounts related to pensions	28,598	22,178	50,776
Deferred amounts related to OPEB	82,946	62,341	145,287
Total Deferred Inflows of Resources	<u>111,544</u>	<u>84,519</u>	<u>196,063</u>
Net Position			
Net investment in capital assets	1,113,007	4,481,677	5,594,684
Restricted for LGEA and streets	161,398	-	161,398
Restricted for capital and debt service	-	977,095	977,095
Unrestricted (deficit)	9,502	(831,114)	(821,612)
Total Net Position	<u>\$ 1,283,907</u>	<u>\$ 4,627,658</u>	<u>\$ 5,911,565</u>

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

**CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Community	\$ 26,200	\$ -	\$ -	\$ -	\$ (26,200)	\$ -	\$ (26,200)
General government	513,030	-	34,266	-	(478,764)	-	(478,764)
Parks and recreation	21,469	-	-	-	(21,469)	-	(21,469)
Public safety:							
Police	501,365	-	-	-	(501,365)	-	(501,365)
Fire	828	-	-	-	(828)	-	(828)
Sanitation	375,096	350,931	-	-	(24,165)	-	(24,165)
Streets and maintenance	75,413	-	48,574	-	(26,839)	-	(26,839)
Total Governmental Activities	<u>1,513,401</u>	<u>350,931</u>	<u>82,840</u>	<u>-</u>	<u>(1,079,630)</u>	<u>-</u>	<u>(1,079,630)</u>
Business-Type Activities							
Water	773,331	590,832	-	-	-	(182,499)	(182,499)
Sewer	541,264	531,750	-	-	-	(9,514)	(9,514)
Total Business-Type Activities	<u>1,314,595</u>	<u>1,122,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192,013)</u>	<u>(192,013)</u>
Total Primary Government	<u>\$ 2,827,996</u>	<u>\$ 1,473,513</u>	<u>\$ 82,840</u>	<u>\$ -</u>	<u>\$ (1,079,630)</u>	<u>\$ (192,013)</u>	<u>\$ (1,271,643)</u>
General Revenues							
Taxes					\$ 978,519	\$ -	\$ 978,519
Franchise fees					17,823	-	17,823
Licenses and permits					41,443	-	41,443
Interest income					1,795	1,220	3,015
Rental income					17,258	-	17,258
Donations					29,779	-	29,779
Gain on sale of property					26,329	-	26,329
Miscellaneous					36,660	-	36,660
Total General Revenues					<u>1,149,606</u>	<u>1,220</u>	<u>1,150,826</u>
Transfers					<u>(12,835)</u>	<u>12,835</u>	<u>-</u>
Changes in Net Position					<u>57,141</u>	<u>(177,958)</u>	<u>(120,817)</u>
Net Position - July 1, 2019					<u>1,226,766</u>	<u>4,805,616</u>	<u>6,032,382</u>
Net Position - June 30, 2020					<u>\$ 1,283,907</u>	<u>\$ 4,627,658</u>	<u>\$ 5,911,565</u>

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

**CITY OF BRANDENBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 576,368	\$ 340,181	\$ 916,549
Receivables, net:			
Sanitation	29,725	-	29,725
Franchise fees	4,450	-	4,450
Taxes	84,741	-	84,741
Intergovernmental	3,376	4,131	7,507
Due from other funds	195,812	9,152	204,964
Total Assets	<u>\$ 894,472</u>	<u>\$ 353,464</u>	<u>\$ 1,247,936</u>
Liabilities			
Accounts payable	\$ 23,880	\$ 23,763	\$ 47,643
Accrued expenses	18,808	-	18,808
Due to other funds	9,152	9,055	18,207
Total Liabilities	<u>51,840</u>	<u>32,818</u>	<u>84,658</u>
Fund Balance			
Restricted	-	161,398	161,398
Assigned	-	159,248	159,248
Unassigned	842,632	-	842,632
Total Fund Balance	<u>842,632</u>	<u>320,646</u>	<u>1,163,278</u>
Total Liabilities and Fund Balance	<u>\$ 894,472</u>	<u>\$ 353,464</u>	<u>\$ 1,247,936</u>

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balance	\$ 1,163,278
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 in the governmental fund.	1,113,007
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds.	160,341
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Accrued vacation	(14,100)
Net pension and OPEB liabilities	(1,138,619)
Total Net Position of Governmental Activities	<u>\$ 1,283,907</u>

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

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 508,541	\$ -	\$ 508,541
Insurance premium taxes	451,983	-	451,983
Other taxes	17,995	-	17,995
Licenses and permits	41,443	-	41,443
Rental income	17,258	-	17,258
Interest income	-	1,795	1,795
Donations	-	29,779	29,779
Miscellaneous	36,411	249	36,660
Franchise fees	17,823	-	17,823
Sanitation	350,931	-	350,931
Intergovernmental revenues	-	82,840	82,840
Total Revenues	<u>1,442,385</u>	<u>114,663</u>	<u>1,557,048</u>
Expenditures			
Current:			
Community	-	26,200	26,200
General government	462,477	1,355	463,832
Parks and recreation	15,537	-	15,537
Sanitation	375,096	-	375,096
Streets and maintenance	29,410	5,502	34,912
Public safety:			
Police	397,627	8,856	406,483
Fire	828	-	828
Capital outlay	56,542	52,791	109,333
Total Expenditures	<u>1,337,517</u>	<u>94,704</u>	<u>1,432,221</u>
Excess of Revenues Over Expenditures	104,868	19,959	124,827
Other Financing Sources (Uses)			
Sale of property	26,329	-	26,329
Transfers out	(12,835)	-	(12,835)
Net Other Financing Sources (Uses)	<u>13,494</u>	<u>-</u>	<u>13,494</u>
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)	118,362	19,959	138,321
Fund Balances - July 1, 2019	<u>724,270</u>	<u>300,687</u>	<u>1,024,957</u>
Fund Balances - June 30, 2020	<u><u>\$ 842,632</u></u>	<u><u>\$ 320,646</u></u>	<u><u>\$ 1,163,278</u></u>

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

CITY OF BRANDENBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net Changes in Fund Balances - Governmental Funds \$ 138,321

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

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 26,955

Governmental funds report pension contributions as expenditures when made. In the Statement of Net Position, pension contributions are reported as deferred outflows of resources because the reported net pension liability is measured one year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension contributions	67,438	
Pension expense	<u>(154,586)</u>	(87,148)

Governmental funds report OPEB contributions as expenditures when made. In the Statement of Net Position, OPEB contributions are reported as deferred outflows of resources because the reported net OPEB liability is measured one year before the City's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.

OPEB contributions	37,485	
OPEB expense	<u>(44,372)</u>	(6,887)

In the Statement of Activities, vacation leave is measured by the amount earned during the year. In the governmental fund, however, expenditures for this item are measured by the amount actually paid. (14,100)

Changes in Net Position of Governmental Activities \$ 57,141

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

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds				
	Water and Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Nonmajor Funds	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 11,975	\$ 163,061	\$ 151,864	\$ -	\$ 326,900
Receivables, net:					
Accounts - trade	-	104,451	-	-	104,451
Other receivables	-	-	-	-	-
Total Current Assets	<u>11,975</u>	<u>267,512</u>	<u>151,864</u>	<u>-</u>	<u>431,351</u>
Noncurrent Assets					
Restricted cash	-	-	-	714,074	714,074
Capital assets:					
Land and construction in process	110,412	-	148,058	-	258,470
Other capital assets, net of depreciation	4,701,283	-	-	-	4,701,283
Total Noncurrent Assets	<u>4,811,695</u>	<u>-</u>	<u>148,058</u>	<u>714,074</u>	<u>5,673,827</u>
Total Assets	<u>4,823,670</u>	<u>267,512</u>	<u>299,922</u>	<u>714,074</u>	<u>6,105,178</u>
Deferred Outflows of Resources					
Deferred amounts related to pensions	145,106	-	-	-	145,106
Deferred amounts related to OPEB	62,147	-	-	-	62,147
Total Deferred Outflows of Resources	<u>207,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,253</u>
Liabilities					
Current Liabilities					
Accounts payable	29,104	-	-	-	29,104
Due to other funds	139,806	-	41,923	5,028	186,757
Accrued expenses	2,764	-	-	-	2,764
Accrued vacation and payroll	25,796	-	-	-	25,796
Current portion of loan payable	41,807	-	-	-	41,807
Total Current Liabilities	<u>239,277</u>	<u>-</u>	<u>41,923</u>	<u>5,028</u>	<u>286,228</u>
Noncurrent Liabilities					
Loan payable	436,269	-	-	-	436,269
Net pension liability	710,807	-	-	-	710,807
Net OPEB liability	166,950	-	-	-	166,950
Total Noncurrent Liabilities	<u>1,314,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,314,026</u>
Total Liabilities	<u>1,553,303</u>	<u>-</u>	<u>41,923</u>	<u>5,028</u>	<u>1,600,254</u>
Deferred Inflows of Resources					
Deferred amounts related to pensions	22,178	-	-	-	22,178
Deferred amounts related to OPEB	62,341	-	-	-	62,341
Total Deferred Inflows of Resources	<u>84,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,519</u>
Net Position					
Net investment in capital assets	4,333,619	-	148,058	-	4,481,677
Restricted for capital and debt service	-	268,049	-	709,046	977,095
Unrestricted (deficit)	(940,518)	(537)	109,941	-	(831,114)
Total Net Position	<u>\$ 3,393,101</u>	<u>\$ 267,512</u>	<u>\$ 257,999</u>	<u>\$ 709,046</u>	<u>\$ 4,627,658</u>

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

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds				
	Water and Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Nonmajor Funds	Total
Operating Revenues					
Charges for services	\$ -	\$ 1,104,538	\$ -	\$ -	\$ 1,104,538
Connection fees	18,044	-	-	-	18,044
Total Operating Revenues	<u>18,044</u>	<u>1,104,538</u>	<u>-</u>	<u>-</u>	<u>1,122,582</u>
Operating Expenses					
Salaries and benefits	488,297	-	-	-	488,297
Maintenance and supplies	251,615	-	-	-	251,615
Professional fees	8,025	-	-	-	8,025
Office and advertising	4,470	-	-	-	4,470
Depreciation	339,396	-	-	-	339,396
Utility tax	14,808	-	-	-	14,808
Insurance	63,814	-	-	-	63,814
Utilities and telephone	88,826	-	-	-	88,826
Miscellaneous	45,668	134	-	-	45,802
Total Operating Expenses	<u>1,304,919</u>	<u>134</u>	<u>-</u>	<u>-</u>	<u>1,305,053</u>
Operating Income (Loss)	<u>(1,286,875)</u>	<u>1,104,404</u>	<u>-</u>	<u>-</u>	<u>(182,471)</u>
Non-Operating Revenues (Expenses)					
Interest income	47	451	110	612	1,220
Interest expense	-	-	-	(9,542)	(9,542)
Total Non-Operating Revenues (Expenses)	<u>47</u>	<u>451</u>	<u>110</u>	<u>(8,930)</u>	<u>(8,322)</u>
Income (Loss) Before Transfers	<u>(1,286,828)</u>	<u>1,104,855</u>	<u>110</u>	<u>(8,930)</u>	<u>(190,793)</u>
Transfers in	1,031,323	-	62,110	180,000	1,273,433
Transfers out	-	(1,190,819)	(28,424)	(41,355)	(1,260,598)
Net Transfers	<u>1,031,323</u>	<u>(1,190,819)</u>	<u>33,686</u>	<u>138,645</u>	<u>12,835</u>
Changes in Net Position	<u>(255,505)</u>	<u>(85,964)</u>	<u>33,796</u>	<u>129,715</u>	<u>(177,958)</u>
Net Position - July 1, 2019	<u>3,648,606</u>	<u>353,476</u>	<u>224,203</u>	<u>579,331</u>	<u>4,805,616</u>
Net Position - June 30, 2020	<u>\$ 3,393,101</u>	<u>\$ 267,512</u>	<u>\$ 257,999</u>	<u>\$ 709,046</u>	<u>\$ 4,627,658</u>

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

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds				
	Water and Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Nonmajor Funds	Total
Cash Flows from Operating Activities:					
Cash received from customers and others	\$ 18,044	\$ 1,103,131	\$ -	\$ -	\$ 1,121,175
Cash payments to suppliers for goods and services	(477,226)	(134)	-	-	(477,360)
Cash payments to employees for services	(396,062)	-	-	-	(396,062)
Net Cash Provided (Used) by Operating Activities	(855,244)	1,102,997	-	-	247,753
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(158,721)	-	(42,478)	-	(201,199)
Principal paid on debt	(41,354)	-	-	-	(41,354)
Interest paid on debt	-	-	-	(9,542)	(9,542)
Net Cash Provided (Used) by Capital and Related Financing Activities	(200,075)	-	(42,478)	(9,542)	(252,095)
Cash Flows from Noncapital Financing Activities:					
Transfers	1,031,323	(1,190,819)	33,686	138,645	12,835
Cash Flows from Investing Activities:					
Interest income	47	451	110	612	1,220
Net Increase (Decrease) in Cash and Cash Equivalents	(23,949)	(87,371)	(8,682)	129,715	9,713
Cash and Cash Equivalents - July 1, 2019	35,924	250,432	160,547	584,360	1,031,263
Cash and Cash Equivalents - June 30, 2020	\$ 11,975	\$ 163,061	\$ 151,864	\$ 714,074	\$ 1,040,974
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (1,286,875)	\$ 1,104,404	\$ -	\$ -	\$ (182,471)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	339,396	-	-	-	339,396
Change in assets, liabilities and deferrals:					
Receivables, net	-	(1,407)	-	-	(1,407)
Accounts payable	2,066	-	-	-	2,066
Accrued expenses	(266)	-	-	-	(266)
Net pension liability and deferred inflows and outflows	85,187	-	-	-	85,187
Net OPEB liability and deferred inflows and outflows	5,248	-	-	-	5,248
Total Adjustments	431,631	(1,407)	-	-	430,224
Net Cash Provided (Used) by Operating Activities	\$ (855,244)	\$ 1,102,997	\$ -	\$ -	\$ 247,753

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

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brandenburg (City) is a Home Rule (previously fifth class) city located in Meade County, Kentucky. It operates under a councilmanic form of government providing the following types of services: police, fire, water, sewage, sanitation, and street maintenance. Primary revenue sources are property taxes, insurance premium taxes, license fees, and water, wastewater, and sanitation receipts.

The accounting policies of the City of Brandenburg conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight. Responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The governmental activities reported in the statements are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed mostly by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are therefore clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipient of the goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following funds:

Basis of Presentation (Concluded)

Governmental Funds

- General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a major fund of the City.
- Nonmajor Governmental Funds - The City has various funds established to account for revenues received for designated purposes: Capital Projects, Christmas by the River, Citizens on Patrol, LGEAF, Municipal Road Aid, and Police Forfeiture Funds.

Proprietary Funds

- Water and Wastewater Fund - This fund accounts for the operation, maintenance, and development of the water and wastewater distribution lines. This is a major fund of the City.
- Revenue Fund - This fund collects all revenues from water and wastewater services and transfers to the operating funds. This is a major fund of the City.
- Sewer Line Extension Fund - This fund was established to accumulate funds for extending sewer services to new developments and underserved areas of the City. This is a major fund of the City.
- Nonmajor Proprietary Funds - The Bond and Interest Sinking Fund and the Depreciation Fund receive transfers from other enterprise funds to pay principal and interest on long-term debt and to fund capital improvements, respectively.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and other taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures, and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources in the governmental funds.

CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

For the government-wide and proprietary fund financial statements, all capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at acquisition value. The City has no stated capitalization threshold. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City's infrastructure consists of curbs, sidewalks, and streets constructed or improved after July 1, 2003.

Depreciation is provided in the government-wide and proprietary fund financial statements in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The City capitalizes construction period interest as part of the cost of the assets in the proprietary funds. The service lives by type of asset are typically as follows:

Vehicles and equipment	5 - 7 years
Improvements	10 - 40 years
Infrastructure	10 - 25 years
Buildings	10 - 40 years
Plant	10 - 40 years

Estimates

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

Accounts Receivable

The City recognizes revenues as receivable when they are both measurable and available. An allowance has not been established for uncollectible accounts as the amount estimated is deemed immaterial.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of those assets that do not meet the definition of restricted or net investment in capital assets.

CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions and Post-employment Benefits Other Than Pensions (OPEB)

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred amounts related to pensions and OPEB in the Statement of Net Position in this category. Deferred amounts related to pensions and OPEB include pension and OPEB contributions made during the current fiscal year but applicable to a future measurement period of the net pension and OPEB liabilities, respectively.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports deferred amount related to pensions and OPEB in the Statement of Net Position in this category.

Fund Balance

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Nonspendable fund balance - amounts that are not in a spendable form (such as prepayments) 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 a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Balance (Concluded)

The City did not establish any fund balance commitments for the fiscal year. Assigned fund balance is established by the Mayor through adoption or amendment of the budget as intended for a specific purpose. Unrestricted and unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

Property Tax Calendar

The City's property taxes are levied before the first day of November on the assessed values as of January 1 for all real and personal property located in the city, including vehicles. Property taxes are due December 31 and become delinquent January 1 of the following year. The City's real property tax rate is \$.214 and its personal property tax rate is \$.4223 per \$100 valuation. The City's vehicle tax rate is \$.328 per \$100 of assessed value.

NOTE B - BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

Normally, prior to June 30, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them. Deficit budgets are contrary to state law. Public hearings are conducted to obtain citizen comments on the proposed budget and the budget is legally adopted through passage of an appropriation ordinance by City Council. The City Council approves, by ordinance, total budget appropriations only. Budget amendments are made as needed throughout the year.

Actual expenditures and operating transfers may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

NOTE C - CASH AND CASH EQUIVALENTS

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. At June 30, 2020, the reported amount of the City's cash and cash equivalents was \$1,957,523 and the bank balance was \$2,038,021. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year-end, all of the City's deposits were either insured or collateralized with securities held by the pledging financial institution on behalf of the City. The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

Restricted Cash

Cash accounts in the LGEAF Fund and Municipal Road Aid Fund are restricted by state law. Cash in Bond and Interest Sinking and Depreciation Funds are restricted by bond covenants.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE D - LONG-TERM DEBT

Loan Payable

On November 9, 2015, the City of Brandenburg entered into a loan agreement with the Meade County Bank. The original amount of the loan was \$660,000 with an interest rate of 1.98%. Proceeds were used to construct a water tower. Payments are \$4,241 per month, including interest, through 2030. The loan balance at year-end was \$478,076.

Debt Service Requirements

The annual requirements to amortize the loan payable outstanding as of June 30, 2020, including interest payments are as follows:

Fiscal Year Ending June 30,	Note Payable	
	Principal	Interest
2021	\$ 41,807	\$ 9,090
2022	42,688	8,208
2023	43,515	7,382
2024	44,365	6,532
2025	45,267	5,630
2026 - 2030	240,222	14,262
2031	20,212	995
Totals	<u>\$478,076</u>	<u>\$52,099</u>

Changes in Noncurrent Liabilities

Changes in noncurrent liabilities, including current portions of long-term debt, for the year ended June 30, 2020 were as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due In One Year
<u>Business-Type Activities</u>					
Loan payable	<u>\$519,430</u>	<u>\$ -</u>	<u>\$41,354</u>	<u>\$478,076</u>	<u>\$41,807</u>

NOTE E - FUND BALANCE

The fund balance for the General Fund was classified as follows:

Fund Balance	General Fund	Nonmajor Governmental Funds
Restricted:		
LGEA	\$ -	\$ 81,507
Streets and highways	-	79,891
Total Restricted	-	161,398
Assigned:		
Community activities	-	21,301
Future construction	-	128,759
Public safety	-	9,188
Total Assigned	-	159,248
Unassigned	842,632	-
Total Fund Balances	<u>\$842,632</u>	<u>\$320,646</u>

CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE F - DEFICIT FUND BALANCE/NET POSITION

No funds ended the year with a deficit fund balance/net position; however, the Water and Wastewater, Revenue, Citizens on Patrol, and LGEAF Funds had operations resulting in current year reductions of fund balance/net position.

NOTE G - INTERFUND ACTIVITY

The following transfers were made during the fiscal year:

From	To	Amount	Purpose
Bond & Interest Fund	Water & Wastewater Fund	\$ 41,355	Debt service
General Fund	Sewer Line Extension Fund	2,110	Expenses
General Fund	Water & Wastewater Fund	10,725	Expenses
Sewer Line Extension Fund	Water & Wastewater Fund	28,424	Fixed assets
Revenue Fund	Bond & Interest Fund	60,000	Debt service
Revenue Fund	Depreciation Fund	120,000	Fixed assets
Revenue Fund	Water & Wastewater Fund	950,819	Expenses
Revenue Fund	Sewer Line Extension Fund	60,000	Fixed assets
		<u>\$1,273,433</u>	

The following interfund balances existed at year-end:

Due From	Due To	Amount	Purpose
Depreciation Fund	General Fund	\$ 5,028	Short-term operating loan
General Fund	LGEAF Fund	9,152	Short-term operating loan
MRA Fund	General Fund	9,055	Short-term operating loan
Sewer Line Extension Fund	General Fund	41,923	Short-term operating loan
Water & Wastewater Fund	General Fund	139,806	Short-term operating loan
		<u>\$204,964</u>	

NOTE H - CAPITAL ASSETS

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

	July 1, 2019	Additions	Deletions	June 30, 2020
<u>Governmental Activities</u>				
Not Depreciated:				
Land and construction in process	\$ 90,464	\$ -	\$ -	\$ 90,464
Depreciated:				
Buildings and improvements	886,589	-	-	886,589
Equipment	307,020	29,028	-	336,048
Vehicles	412,042	39,992	-	452,034
Infrastructure	1,230,112	40,313	-	1,270,425
Subtotal	2,835,763	109,333	-	2,945,096
Accumulated Depreciation	(1,840,175)	(82,378)	-	(1,922,553)
Net Capital Assets	<u>\$1,086,052</u>	<u>\$ 26,955</u>	<u>\$ -</u>	<u>\$1,113,007</u>

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE H - CAPITAL ASSETS (CONCLUDED)

Business-Type Activities

Not Depreciated:

Land	\$ 85,100	\$ -	\$ -	\$ 85,100
Construction in process	153,309	48,485	(28,424)	173,370
Subtotal	<u>238,409</u>	<u>48,485</u>	<u>(28,424)</u>	<u>258,470</u>

Depreciated:

Equipment	257,081	3,000	-	260,081
Vehicles	120,880	25,819	-	146,699
Water and sewer system	12,644,627	104,590	-	12,749,217
Subtotal	<u>13,022,588</u>	<u>133,409</u>	<u>-</u>	<u>13,155,997</u>

Accumulated Depreciation	<u>(8,115,318)</u>	<u>(339,396)</u>	<u>-</u>	<u>(8,454,714)</u>
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Net Capital Assets	<u>\$5,145,679</u>	<u>(\$157,502)</u>	<u>(\$28,424)</u>	<u>\$4,959,753</u>
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Depreciation expense and related accumulated depreciation are detailed as follows:

	July 1, 2019	Additions	Deletions	June 30, 2020
<u>Governmental Activities</u>				
Buildings and improvements	\$ 456,102	\$ 17,796	\$ -	\$ 473,898
Equipment	261,455	15,174	-	276,629
Vehicles	360,327	23,030	-	383,357
Infrastructure	762,291	26,378	-	788,669
Total	<u>\$1,840,175</u>	<u>\$ 82,378</u>	<u>\$ -</u>	<u>\$1,922,553</u>

Business-Type Activities

Equipment	\$ 250,959	\$ 1,487	\$ -	\$ 252,446
Vehicles	74,968	21,188	-	96,156
Water and sewer system	7,789,391	316,721	-	8,106,112
Total	<u>\$8,115,318</u>	<u>\$339,396</u>	<u>\$ -</u>	<u>\$8,454,714</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
General government	\$ 9,446	Water	\$165,769
Streets and maintenance	40,501	Sewer	173,627
Parks	5,932		<u>\$339,396</u>
Public safety	26,499		
	<u>\$82,378</u>		

NOTE I - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time employees are covered by the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.kyret.ky.gov.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE I - PENSION PLANS (CONTINUED)

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

CERS Non-hazardous

<u>Tier 1</u>	Participation date:	Before September 1, 2008
Defined	Unreduced retirement:	27 years service or 65 years old with 4 years service
Benefit	Reduced retirement:	At least 5 years service and 55 years old
		At least 25 years service and any age
<u>Tier 2</u>	Participation date:	September 1, 2008 – December 31, 2013
Defined	Unreduced retirement:	At least 5 years service and 65 years old
Benefit		Age 57+ and sum of service years plus age = 87
	Reduced retirement:	At least 10 years service and 60 years old
<u>Tier 3</u>	Participation date:	After December 31, 2013
Cash	Unreduced retirement:	At least 5 years service and 65 years old
Balance		Age 57+ and sum of service years plus age = 87
	Reduced retirement:	Not available

Contributions – Employees in all tiers contributed 5% of their salaries for non-hazardous and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 24.06% (19.30% for pension and 4.76% for health insurance) of members' non-hazardous compensation for the year ended June 30, 2020.

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

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

At June 30, 2020, the City reported a liability of \$1,627,306 for its proportionate share of the net pension liability for CERS. The total pension liability, net pension liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date of June 30, 2018 to the plan's fiscal year ended June 30, 2019, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2018 through June 30, 2019. At June 30, 2019, the City's proportion was 0.023138%, a decrease of 0.000525% over the prior year.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE I - PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2020, the City recognized total pension expense of \$289,214 for CERS.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,550	\$ 6,876
Changes of assumptions	164,702	-
Net difference between projected and actual earnings on pension plan investments	-	26,233
Changes in proportion and differences between City contributions and proportionate share of contributions	9,606	17,667
City contributions subsequent to the measurement date	118,446	-
	<u>\$334,304</u>	<u>\$ 50,776</u>

\$118,114 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$115,054
2022	\$ 34,636
2023	\$ 13,531
2024	\$ 1,861

Actuarial assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions (updated from the actuarial assumptions used for June 30, 2018):

Inflation Rate:	2.30%
Payroll Growth Rate:	2.00%
Investment Rate of Return:	6.25%

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE I - PENSION PLANS (CONTINUED)

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

The mortality table used for active members was a Pub-2010 General Mortality table, for the non-hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rates of return were determined by using a building-block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by KRS, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
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%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	3.89%

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 the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE I - PENSION PLANS (CONCLUDED)

	1% Decrease 5.25%	Current Discount 6.25%	1% Increase 7.25%
City's share of the net pension liability	\$2,035,298	\$1,627,306	\$1,287,248

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS

General Information about the County Employees Retirement System Insurance Fund

Plan Description – County Employees Retirement System (CERS) Non-hazardous Insurance Funds are cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members, and it may be extended to beneficiaries of plan members under certain circumstances. It is administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers OPEB and has the authority to establish and amend benefit provisions. The KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KRS website at www.kyret.ky.gov.

Benefits Provided – CERS provides health insurance benefits to plan employees and beneficiaries when applicable. For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The KRS Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

Contributions – Employees in Tiers 2 and 3 (see Note I) contribute an additional 1% of their salaries for health insurance. This amount is credited to the Insurance Fund and is non-refundable to the member. Participating employers contributed 24.06% (19.30% for pension and 4.76% for health insurance) of members' non-hazardous compensation for the year ended June 30, 2020.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2020, the City reported a liability of \$389,070 for its proportionate share of the net OPEB liability for CERS. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled forward from the valuation date of June 30, 2018 to the plan's fiscal year ended June 30, 2019, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2018 through June 30, 2019. At June 30, 2019, the City's proportion was 0.023138%, a decrease of 0.000525%, over the prior year.

For the year ended June 30, 2020, the City recognized total OPEB expense of \$40,841 for CERS. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 117,391
Changes of assumptions	115,129	770
Net difference between projected and actual earnings on OPEB plan investments	-	17,281
Changes in proportion and differences between City contributions and proportionate share of contributions	492	9,845
City contributions subsequent to the measurement date	29,213	-
	<u>\$144,834</u>	<u>\$145,287</u>

\$29,213 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$(4,727)
2022	\$(4,727)
2023	\$ 767
2024	\$(9,754)
2025	\$(9,406)
Thereafter	\$ (1,819)

CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date:	June 30, 2018
Inflation Rate:	2.30%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return:	6.25%
Healthcare Trend Rates (under age 65):	Initial trend starting at 7.00% at January 24, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare Trend Rates (age 65 and over):	Initial trend starting at 5.00% at January 24, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

The mortality table used for active members was a Pub-2010 General Mortality table, for the non-hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS, are summarized in the table in Note I (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

Discount Rate – The discount rate used to measure the total OPEB liability was 5.68%. 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 twenty-four year (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 3.13%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the 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.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

Sensitivity of Proportionate Share of Net OPEB Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 5.68% for non-hazardous, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 4.68%	Current Discount 5.68%	1% Increase 6.68%
City's proportionate share of the net OPEB liability	\$521,194	\$389,070	\$280,209

Sensitivity of Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following table presents the City's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
City's proportionate share of the net OPEB liability	\$289,353	\$389,070	\$509,988

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE K - SUBSEQUENT EVENTS

City of Brandenburg, Kentucky's management has evaluated and considered the need to recognize or disclose subsequent events through June 24, 2021 which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2020, have not been evaluated by management.

Early in 2020, the United States was struck with the COVID-19 virus. It has severely impacted economies around the globe, as businesses are being forced to cease or limit operations for long or indefinite periods of time. The measures taken to contain the spread of the virus have resulted in an economic slowdown. While some steps have been taken to stabilize economic conditions, the effectiveness of these responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of the pandemic, as well as their impact on the financial position of the City for future periods.

NOTE L - COMMITMENTS AND CONTINGENCIES

The City receives state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such disallowances, if any, will not be significant.

In anticipation of the additional sewage requirements associated with a major new industry, the City is constructing a new wastewater treatment plant at a cost of \$8.4 million. The project is funded through the issuance of bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRANDENBURG, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance from
	Original	Final	(Budgetary	Final Budget
			Basis)	Favorable
				(Unfavorable)
Revenues				
Property taxes	\$ 458,000	\$ 470,000	\$ 508,541	\$ 38,541
Insurance premium taxes	433,600	452,000	451,983	(17)
Other taxes	37,000	37,000	17,995	(19,005)
Licenses and permits	45,000	57,000	41,443	(15,557)
Rental income	40,000	13,500	17,258	3,758
Interest income	9,000	9,000	-	(9,000)
Miscellaneous	17,400	14,500	36,411	21,911
Franchise fees	17,264	17,300	17,823	523
Sanitation	370,000	370,000	350,931	(19,069)
Intergovernmental revenues	24,850	21,000	-	(21,000)
Total Revenues	1,452,114	1,461,300	1,442,385	(18,915)
Expenditures				
Current:				
General government	468,850	482,550	462,477	20,073
Parks and recreation	30,000	27,000	15,537	11,463
Sanitation	380,000	373,000	375,096	(2,096)
Streets and maintenance	-	-	29,410	(29,410)
Tourism	2,000	2,000	-	2,000
Public safety:				
Police	390,700	391,100	397,627	(6,527)
Fire	250	-	828	(828)
Capital outlay	140,000	95,560	56,542	39,018
Total Expenditures	1,411,800	1,371,210	1,337,517	33,693
Excess (Deficiency) of Revenues				
Over Expenditures	40,314	90,090	104,868	14,778
Other Financing Sources				
Transfers out	-	-	(12,835)	(12,835)
Sale of surplus property	4,500	26,330	26,329	(1)
Total Expenditures	4,500	26,330	13,494	(12,836)
Net Changes in Fund Balance	44,814	116,420	118,362	1,942
Fund Balance - July 1, 2019	569,022	613,836	724,270	110,434
Fund Balance - June 30, 2020	\$ 613,836	\$ 730,256	\$ 842,632	\$ 112,376

See accompanying notes to budgetary comparison schedule.

CITY OF BRANDENBURG, KENTUCKY
NOTE TO BUDGETARY COMPAISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A - BASIS OF PRESENTATION

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget and all transactions are presented in the Budgetary Comparison Schedule - General Fund to provide a comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting because any differences were deemed to be immaterial.

NOTE B - BUDGET SHORTFALL

For certain line items, the General Fund experienced an excess of outlays over final budget appropriations.

**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

	Last 6 Fiscal Years*					
	2020	2019	2018	2017	2016	2015
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>						
<u>Non-Hazardous</u>						
City's proportion of the net pension liability	0.023138%	0.023663%	0.023504%	0.022488%	0.022583%	0.02282%
City's proportionate share of the net pension liability	\$ 1,627,306	\$ 1,441,149	\$1,375,761	\$1,107,205	\$ 970,951	\$740,000
City's covered payroll	\$ 593,306	\$ 586,677	\$ 572,265	\$ 514,404	\$ 528,816	\$523,526
City's proportionate share of the net pension liability as a percentage of its covered payroll	274.28%	245.65%	240.41%	215.24%	183.61%	141.35%
Plan fiduciary net position as a percentage of the total pension liability	50.447%	53.542%	53.325%	55.503%	59.968%	66.801%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City Pension Contributions.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF CITY PENSION CONTRIBUTIONS**

	Last 6 Fiscal Years*					
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Non-Hazardous</u>						
Contractually required contribution	\$ 118,446	\$ 96,234	\$ 84,951	\$ 79,831	\$ 63,889	\$ 67,424
Contributions in relation to the contractually required contribution	(118,446)	(96,234)	(84,951)	(79,831)	(63,889)	(67,424)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 611,992	\$ 593,306	\$586,677	\$572,265	\$514,404	\$ 528,816
Contributions as a percentage of covered payroll	19.35%	16.22%	14.48%	13.95%	12.42%	12.75%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net Pension Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS insurance fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY

Last 3 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability	0.023138%	0.023663%	0.023504%
City's proportionate share of the net OPEB liability	\$ 389,070	\$ 420,114	\$ 472,511
City's covered payroll	\$ 593,306	\$ 586,677	\$ 572,265
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	65.58%	71.61%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	60.438%	57.622%	52.394%

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City OPEB Contributions.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF CITY OPEB CONTRIBUTIONS
Last 3 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 29,213	\$ 31,208	\$ 27,574
Contributions in relation to the contractually required contribution	<u>(29,213)</u>	<u>(31,208)</u>	<u>(27,574)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 611,992	\$ 593,306	\$ 586,677
Contributions as a percentage of covered payroll	4.77%	5.26%	4.70%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net OPEB Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS pension fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO PENSIONS AND OPEB SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A - PENSIONS

Changes in benefit terms: There were no changes in benefit terms for fiscal years 2015 through 2020, except that during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability for CERS hazardous as of June 30, 2018 was determined using these updated benefit provisions.

Changes in assumptions:

- 2015 - For the measurement date of June 30, 2014, there was no change.
- 2016 - For the measurement date of June 30, 2015, the investment rate of return was changed from 7.75% to 7.50%. The projected salary increase was changed from 4.50% to 4.00%. The inflation rate was changed from 3.50% to 3.25%. The assumed rate of wage inflation was changed from 1.00% to 0.75%. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.
- 2017 - For the measurement date of June 30, 2016, there was no change.
- 2018 - For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.
- 2019 - For the measurement date of June 30, 2018, there was no change.
- 2020 - For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.

NOTE B - OPEB

Changes in benefit terms: There were no changes in benefit terms for fiscal years 2018 through 2020.

Changes in assumptions:

- 2018 - For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.
- 2019 - For the measurement date of June 30, 2018, the healthcare initial trend rates for those under age 65 changed from 7.25% to 7.00%, and the healthcare initial trend rates for those age 65 and over changed from 5.10% to 5.00%.
- 2020 - For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BRANDENBURG, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Capital Projects Fund	Christmas by the River Fund	Citizens on Patrol Fund	LGEAF Fund	Municipal Road Aid Fund	Police Forfeiture Fund	Totals
Assets							
Cash and cash equivalents	\$ 128,759	\$ 21,301	\$ 7,486	\$ 72,354	\$ 108,579	\$ 1,702	\$ 340,181
Receivables	-	-	-	1	4,130	-	4,131
Due from other funds	-	-	-	9,152	-	-	9,152
Total Assets	<u>\$ 128,759</u>	<u>\$ 21,301</u>	<u>\$ 7,486</u>	<u>\$ 81,507</u>	<u>\$ 112,709</u>	<u>\$ 1,702</u>	<u>\$ 353,464</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 23,763	\$ -	\$ 23,763
Due to other funds	-	-	-	-	9,055	-	9,055
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,818</u>	<u>-</u>	<u>32,818</u>
Fund Balances							
Restricted to LGEA priority categories	-	-	-	81,507	-	-	81,507
Restricted to streets and highways	-	-	-	-	79,891	-	79,891
Assigned to community activities	-	21,301	-	-	-	-	21,301
Assigned to future construction	128,759	-	-	-	-	-	128,759
Assigned to public safety	-	-	7,486	-	-	1,702	9,188
Total Fund Balances	<u>128,759</u>	<u>21,301</u>	<u>7,486</u>	<u>81,507</u>	<u>79,891</u>	<u>1,702</u>	<u>320,646</u>
Total Liabilities and Fund Balances	<u>\$ 128,759</u>	<u>\$ 21,301</u>	<u>\$ 7,486</u>	<u>\$ 81,507</u>	<u>\$ 112,709</u>	<u>\$ 1,702</u>	<u>\$ 353,464</u>

**CITY OF BRANDENBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Capital Projects Fund	Christmas by the River Fund	Citizens on Patrol Fund	LGEAF Fund	Municipal Road Aid Fund	Police Forfeiture Fund	Totals
Revenues							
Interest income	\$ 1,663	\$ -	\$ -	\$ 66	\$ 66	\$ -	\$ 1,795
Intergovernmental	-	-	-	34,266	48,574	-	82,840
Donations	-	28,779	1,000	-	-	-	29,779
Miscellaneous	-	-	-	-	-	249	249
Total Revenues	<u>1,663</u>	<u>28,779</u>	<u>1,000</u>	<u>34,332</u>	<u>48,640</u>	<u>249</u>	<u>114,663</u>
Expenditures							
Current							
Community	-	26,200	-	-	-	-	26,200
General government	-	-	-	1,355	-	-	1,355
Public safety	-	-	2,129	6,616	-	111	8,856
Streets and highways	-	-	-	-	5,502	-	5,502
Capital outlay	-	-	-	29,028	23,763	-	52,791
Total Expenditures	<u>-</u>	<u>26,200</u>	<u>2,129</u>	<u>36,999</u>	<u>29,265</u>	<u>111</u>	<u>94,704</u>
Excess (Deficiency) of Revenues over Expenditures	1,663	2,579	(1,129)	(2,667)	19,375	138	19,959
Fund Balances - July 1, 2019	<u>127,096</u>	<u>18,722</u>	<u>8,615</u>	<u>84,174</u>	<u>60,516</u>	<u>1,564</u>	<u>300,687</u>
Fund Balances - June 30, 2020	<u>\$ 128,759</u>	<u>\$ 21,301</u>	<u>\$ 7,486</u>	<u>\$ 81,507</u>	<u>\$ 79,891</u>	<u>\$ 1,702</u>	<u>\$ 320,646</u>

CITY OF BRANDENBURG, KENTUCKY
COMBINING STATEMENT OF NET POSITION -
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds		
	Depreciation Fund	Bond and Interest Sinking Fund	Totals
Assets			
Noncurrent Assets			
Restricted cash	\$ 446,025	\$ 268,049	\$ 714,074
Liabilities			
Current Liabilities			
Due to other funds	5,028	-	5,028
Net Position			
Restricted for debt service	-	268,049	268,049
Restricted for future construction	440,997	-	440,997
Total Net Position	<u>\$ 440,997</u>	<u>\$ 268,049</u>	<u>\$ 709,046</u>

CITY OF BRANDENBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Depreciation	Bond and	
	Fund	Interest	Totals
		Sinking Fund	
Non-Operating Revenues (Expenses)			
Interest income	\$ 331	\$ 281	\$ 612
Interest expense	-	(9,542)	(9,542)
Total Non-Operating Revenues (Expenses)	<u>331</u>	<u>(9,261)</u>	<u>(8,930)</u>
Income (Loss) Before Transfers	<u>331</u>	<u>(9,261)</u>	<u>(8,930)</u>
Transfers			
Transfers in	120,000	60,000	180,000
Transfers out	-	(41,355)	(41,355)
Total Transfers	<u>120,000</u>	<u>18,645</u>	<u>138,645</u>
Changes in Net Position	120,331	9,384	129,715
Net Position - July 1, 2019	<u>320,666</u>	<u>258,665</u>	<u>579,331</u>
Net Position - June 30, 2020	<u>\$ 440,997</u>	<u>\$ 268,049</u>	<u>\$ 709,046</u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Brandenburg, 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 accompanying Balance Sheet – Governmental Funds as of June 30, 2020 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements, and have issued our report thereon dated June 24, 2021. We were engaged to audit the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky (City) as of and for the year ended June 30, 2020, and the related notes to these financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2020-001 through 2020-003, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-004.

City of Brandenburg, Kentucky's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

June 24, 2021

**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

Finding: 2020-001 (Repeat)

<i>Condition:</i>	As part of the audit, management requested us to prepare a draft of the City's financial statements, including the related notes. Material adjustments were required during the preparation of the financial statements.
<i>Criteria:</i>	Management is responsible for establishing internal controls over the preparation of GAAP-based financial statements.
<i>Cause:</i>	The design of internal controls did not prevent material adjustments.
<i>Effect:</i>	The potential exists for material misstatements to occur and not be prevented or detected by the City's internal control.
<i>Recommendation:</i>	Management and accounting personnel should review the policies and procedures for recording journal entries and enhance internal control over financial reporting.
<i>Management Response:</i>	<i>We concur with the recommendation.</i>

Finding: 2020-002 (Repeat)

<i>Condition:</i>	While a substantial amount of the City's public works' time is spent on street repairs and maintenance, all payroll is charged to the Water and Wastewater Fund. Likewise, although the office processes utility billing and collection, all of its time is recorded in the General Fund.
<i>Criteria:</i>	Proprietary funds, such as Water and Wastewater are intended to be self-sufficient, whereby revenues are sufficient to cover expenses. As such, it is imperative that only expenses incurred are charged to that fund. Likewise, governmental funds, such as the General Fund, should not incur expenditures supplementing a proprietary fund.
<i>Cause:</i>	Controls over the preparation of retirement reports are inadequate to ensure that new hires are added in a timely manner and that all calculations and remittances are correct.
<i>Effect:</i>	The City's financial statements do not accurately reflect the results of operations of each fund.
<i>Recommendation:</i>	Detailed records should be maintained to record time and expenses allocable to each fund.
<i>Management Response:</i>	<i>We concur with the recommendation.</i>

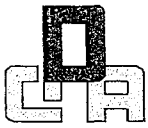
**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

Finding: 2020-003 (Repeat)

<i>Condition:</i>	The City does not maintain any records of water and sewer supplies or record their value in the accounting records.
<i>Criteria:</i>	Generally accepted accounting principles require that proprietary funds book material quantities and values of inventories.
<i>Cause:</i>	This requirement was never brought to the attention of City personnel, who considered any amounts on hand to be insignificant. Observation by the auditor, however, indicated that a substantial value may exist.
<i>Effect:</i>	Insufficient records result in misstated financial statements and may permit misappropriation of supplies.
<i>Recommendation:</i>	A physical inventory should be taken as soon as possible, with all items priced and their value recorded. Going forward, perpetual records should be maintained, and inventory counts should be taken at the end of the fiscal year and amounts adjusted in the general ledger accordingly.
<i>Management Response:</i>	<i>We concur with the recommendation. We are beginning the process of working with the Public Works director on developing an inventory system.</i>

Finding: 2020-004 (Repeat)

<i>Condition:</i>	Numerous errors were discovered in the monthly reporting to the Kentucky Retirement System (KRS).
<i>Criteria:</i>	Participating employers are entrusted with the responsibility of enrolling and reporting all employees on a monthly basis to allow member accounts to be correctly credited with earning the benefits they are afforded by statute.
<i>Cause:</i>	Controls over the preparation of retirement reports are inadequate to ensure that new hires are added in a timely manner and that all calculations and remittances are correct.
<i>Effect:</i>	Employees were not credited with the correct earnings and contributions, and withholdings made from employee paychecks were not remitted to KRS.
<i>Recommendation:</i>	We recommend that the City immediately contact KRS to determine the proper method in which to correct the reporting errors. We also recommend that more effort be made to ensure that the City's payroll records agree with what is reported to KRS each month. The City should utilize the payroll liability feature in its payroll software to help avoid future reporting mistakes.
<i>Management Response:</i>	<i>We were not aware of the discrepancies and will definitely seek assistance from KRS to get it all lined out.</i>



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MANAGEMENT LETTER

Honorable Mayor and Members of
the City Council
City of Brandenburg, Kentucky

In planning and performing our audit of the basic financial statements of the City of Brandenburg, Kentucky (City), as of and for the year ended June 30, 2020, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal control and operating efficiency. The paragraph below summarizes our comments and suggestions regarding the matters. A separate report dated June 24, 2021, contains our report on the City of Brandenburg's internal control. This letter does not affect our report dated June 24, 2021, on the basic financial statements of the City of Brandenburg.

Various errors were made in cash disbursements. Based on a sample, one payment was made from a past-due statement alone which included an interest charge. A credit card was paid from a summary sheet and was missing the statement itself, as well as the supporting documentation for the charges. Two checks were issued with only one signature. No payments should be made without a vendor invoice, preferably an original. Invoices should be scrutinized immediately upon receipt to determine if any discounts are available for prompt payment. All checks should have two signatures before being issued.

Voided checks are not retained. We recommend that a file be kept for all checks voided and that the check be clearly defaced with the signature line cut off.

We will be pleased to discuss any of these matters with you and, if desired, assist you in implementing any of these suggestions. This report is intended for the information of the city council and management and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

June 24, 2021