

**CITY OF CALVERT CITY
CALVERT CITY, KENTUCKY**

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Lynn Jones
Members of the City Council
City of Calvert City
Calvert City, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Calvert City, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, the respective budgetary comparison for the General Fund and the Special Revenue Municipal Aid Fund on pages 45-46, and pension and other post-employment benefits schedules on pages 47-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements on pages 51-52 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter from the mayor on page 11 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020, on our consideration of the City of Calvert City, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Calvert City, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Calvert City, Kentucky's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Paducah, Kentucky
May 8, 2020

REQUIRED SUPPLEMENTARY INFORMATION

CALVERT CITY, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2019

This Management Discussion and Analysis of the financial condition of the City of Calvert City, Kentucky is intended to provide those who may be interested a narrative overview and analysis of the fiscal condition of the City. The information presented herein should be weighed in conjunction with the financial statements (pages 12-52) provided to fully understand the fiscal status of the City of Calvert City on June 30, 2019 and as a basis for projecting and forecasting the needs, not only for the immediate future but for the long term.

Financial Highlights:

City total assets exceeded its total liabilities on June 30, 2018 by \$31,977,379. Of this amount, \$4,975,672 is unrestricted and therefore available to meet the City's continuing obligations.

The total net assets of the City increased by \$543,365 from June 30, 2018 to June 30, 2019.

As of June 30, 2019 the City's combined ending fund balances was \$9,257,621, an increase of \$271,662 from the end of the previous year. Of this amount, \$6,545,644 of these funds was unassigned and available for current expenditures.

The unassigned fund balance of the general fund represents 174% percent of the total 2019 general fund expenditures.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the City as A Whole

Government-wide financial statements

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

These two statements report the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the overall health of the City.

The City accounts for all activities in the Statement of Net Assets and the Statement of Activities under governmental and business-type activities:

- **Governmental activities:** all of the City's basic services are reported here, including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, and state and federal grants finance most of these activities. Fee charges to customers to help cover most of the cost of the City's refuse operations are reported here.
- **Business-Type activities:** the City's water and sewer systems services are reported here. Revenues are primarily from charges for services. Costs (expenses) are primarily to provide services.

The government-wide financial statements can be found on pages 12-13 of this report.

Reporting the City's Most Significant Funds

Fund financial statements

Our analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the most significant-funds and not the City as a whole. Some funds are required to be established by state statutes. However the City Council establishes many other funds to help it control and manage money for particular purposes (Ex. Capital Project Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Aid Grant Fund).

Governmental funds : The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement at the end of the fund financial statements.

Business-type funds : The City's Water and Sewer System is an enterprise fund and is reported here. Operations of the System are accounted for and financed and operated in a manner similar to private business enterprise. As such, its revenues are expected to cover the expense of providing services, capital maintenance, and debt service. As a proprietary fund, a distinction is made between operating and nonoperating revenues and expenses.

Notes to the financial statements

The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

THE CITY AS A WHOLE

The following section presents a condensed financial comparison of net assets, revenues and expenses and provides explanation for significant changes. Please see the following for the condensed Statement of Net Assets and condensed Statement of Revenues, Expenses and Changes in Net Assets for the previous and current fiscal year.

Condensed Statement of Net Assets

June 30,

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 10,030,118	\$ 9,206,474	\$ 1,473,788	\$ 1,422,675	\$ 11,503,906	\$ 10,629,149
Non-current assets	14,926,294	14,152,429	12,788,130	12,454,118	27,714,424	26,606,547
Total Assets	<u>24,956,412</u>	<u>23,358,903</u>	<u>14,261,918</u>	<u>13,876,793</u>	<u>39,218,330</u>	<u>37,235,696</u>
Deferred Outflows of Resources	<u>1,472,571</u>	<u>1,425,180</u>	<u>261,819</u>	<u>309,218</u>	<u>1,734,390</u>	<u>1,734,398</u>
Liabilities:						
Current liabilities	839,419	294,027	368,143	265,268	1,207,562	559,295
Non-current liabilities	4,815,738	4,477,321	2,406,752	2,137,619	7,222,490	6,614,940
Total Liabilities	<u>5,655,157</u>	<u>4,771,348</u>	<u>2,774,895</u>	<u>2,402,887</u>	<u>8,430,052</u>	<u>7,174,235</u>
Deferred Inflows of Resources	<u>437,218</u>	<u>310,563</u>	<u>108,071</u>	<u>51,282</u>	<u>545,289</u>	<u>361,845</u>
Net assets:						
Invested in capital assets, net of related debt	14,926,294	14,152,429	11,459,756	11,280,452	26,386,050	25,432,881
Restricted net assets	554,193	498,950	61,464	59,837	615,657	558,787
Unrestricted net assets	4,856,121	5,050,793	119,551	391,553	4,975,672	5,442,346
Total net assets	<u>\$ 20,336,608</u>	<u>\$ 19,702,172</u>	<u>\$ 11,640,771</u>	<u>\$ 11,731,842</u>	<u>\$ 31,977,379</u>	<u>\$ 31,434,014</u>

As of June 30, 2019, the City had assets greater than its liabilities of \$31,977,379, an increase of \$543,365 from the previous year. The City's governmental activities accounted for \$634,436 of the increase in net position. The business-type activity accounted for (\$91,071) of the remainder of the increase.

The majority of the City's net assets (83%) are invested in capital assets (streets, drainage, buildings, equipment, water and sewer system, etc.). Restrictions for special purpose are imposed upon 2% of the net assets. Unrestricted assets available for general expenditures account for 15% of the City's net assets.

(Continued on next page)

**Comparison of
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 134,163	\$ 122,289	\$ 2,007,560	\$ 1,844,329	\$ 2,141,723	\$ 1,966,618
Operating grants and contributions	47,188	46,781	-	-	47,188	46,781
Capital grants and contributions	16,809	-	122,866	7,024	139,675	7,024
General revenues:						
Property taxes	1,182,602	1,229,724	-	-	1,182,602	1,229,724
Payroll taxes	1,484,408	1,424,503	-	-	1,484,408	1,424,503
Other taxes	1,107,317	983,738	-	-	1,107,317	983,738
License, permits and fees	362,705	523,458	-	-	362,705	523,458
Other revenue	133,218	181,171	14,877	14,217	148,095	195,388
Dissolution of Marshall County-Calvert City Riverport	937,548	-			937,548	-
Total revenue	5,405,958	4,511,664	2,145,303	1,865,570	7,551,261	6,377,234
Expenses						
General government	1,050,761	1,200,631	-	-	1,050,761	1,200,631
Public safety	1,672,240	1,452,504	-	-	1,672,240	1,452,504
Sanitation	316,239	332,582	-	-	316,239	332,582
Highways and streets	1,019,134	974,775	-	-	1,019,134	974,775
Parks and recreation	576,681	534,728	-	-	576,681	534,728
Airport	36,467				36,467	-
Interest on long-term debt	-	1,130	-	-	-	1,130
Water and sewer	-	-	2,336,374	2,204,185	2,336,374	2,204,185
Total expense	4,671,522	4,496,350	2,336,374	2,204,185	7,007,896	6,700,535
Increase in net assets before transfers	734,436	15,314	(191,071)	(338,615)	543,365	(323,301)
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
Increase or (decrease) in net assets	634,436	(84,686)	(91,071)	(238,615)	543,365	(323,301)
Net assets - beginning	19,702,172	19,786,858	11,731,842	11,970,457	31,434,014	31,757,315
Net assets - end of year	<u>\$ 20,336,608</u>	<u>\$ 19,702,172</u>	<u>\$ 11,640,771</u>	<u>\$ 11,731,842</u>	<u>\$ 31,977,379</u>	<u>\$ 31,434,014</u>

Revenues

Normally, the City's governmental revenues are primarily from the collection of various taxes. During the fiscal year ended June 30, 2019 the major sources of revenues are: Personal and real property taxes - 22%; Payroll taxes - 28 %; Franchise and Insurance Premium taxes - 20%. Special Item -Dissolution of the Marshall County/Calvert City Riverport -2%. Charges for services, grants, contributions, fees, and licenses combined represent the balance of revenues.

The City's business-type activity revenues were primarily from charges for services - 93.6%, and grants and other revenues - 6.4%

Expenditures

The costs of all governmental activities were \$4.67 million. The Statement of Activities shows that \$134 thousand was financed by those who use the services; \$64 thousand was financed by grants and contributions with the city's general revenues financing \$4.47 million.

Approximately 86% of the total costs (expenses) of \$2.34 million of the business-type activities were financed by charges for services.

General Fund Budgetary Highlights

The City's total revenues were \$498 thousand more than budgeted. Higher than estimated tax and license tax revenues were the primary reason for this. There are several sources of revenue which are difficult to accurately estimate but actual total revenues were close to budget. The City's total expenditures were \$449 thousand less than budgeted and savings were distributed throughout the line items of each department.

Capital Assets and Debt Administration

The City's investments in capital assets as of June 30, 2019 for its governmental activities were \$14.1 million, net of depreciation as reflected in the schedule below:

Capital Assets June 30, (In thousands, net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,878	\$ 4,799	\$ 283	\$ 283	\$ 5,161	\$ 5,082
Construction in progress	1,338	847	394	165	1,732	1,012
Infrastructure and land improvements	5,984	5,615			5,984	5,615
Water and sewer system			11,864	11,713	11,864	11,713
Buildings and improvements	1,505	1,586			1,505	1,586
Vehicles	414	425	84	112	498	537
General equipment and furnishings	807	880	163	181	970	1,061
	<u>\$ 14,926</u>	<u>\$ 14,152</u>	<u>\$ 12,788</u>	<u>\$ 12,454</u>	<u>\$ 27,714</u>	<u>\$ 26,606</u>

Major additions to capital assets during the current year include the (in thousands):

Land	\$ 80	\$ -	\$ -	\$ -	\$ 80	\$ -
Infrastructure and land improvements	1,262	1,278			1,262	1,278
Water and sewer system			797	494	797	494
Buildings and improvements	-	35			-	35
Vehicles	76	37	-	-	76	37
General equipment and furnishings	72	182	30	124	102	306
	<u>\$ 1,490</u>	<u>\$ 1,532</u>	<u>\$ 827</u>	<u>\$ 618</u>	<u>\$ 2,317</u>	<u>\$ 2,150</u>

At year end, the City had \$280,000 of leases payable and \$1,048,374 of notes payable outstanding. The leases, bonds, and notes payable were issued to finance equipment and infrastructure. Detailed information on the city's long-term debt can be found in Notes G and H on pages 30-32 of the report.

Future Operations

In 2014, Calvert City conducted public hearings, workshops and surveys of the citizenry to establish strategic goals for the city. These goals and objectives have been the primus for the city's direction for future and current projects based on the responses received from the citizens. The city is actively working on several of these projects. One of the most ambitious projects is the connection of Calvert City's downtown to Kentucky Dam Village State Resort Park via a multi-use trail. The goal of this project was not just connectivity, but to promote tourism by creating an aesthetically pleasing draw for the motoring public from the I-24/I-69 interchange at US Highway 62 to both the city and the State Park highlighting the northern entrance of Kentucky Lake. This project is being constructed in segments. Two segments are being constructed by the state. Two segments in three phases are being constructed by the city. Segment one of the State's portion is finishing construction as part of the interchange reconfiguration for I-69. Segment two's construction is under construction. This segment will run along the south side of Hwy 62 from Truck Plaza Lane to just past Airport Road in the state park. It will include the multi-use trail and a vegetation boulevard. The City's second segment is complete. It runs from Old Park along the north side of East 5th Avenue to Lone Valley Road. The third and final segment will turn southward on Lone Valley Road to the beginning point of segment one at the intersection of US Hwy 62 and Kennedy Drive. The multi-use trail is a shared trail for pedestrians and bicyclists. The Transportation Alternative Program (TAP) funding application submitted by the City was accepted for up to \$550,000 for multi-use trails. We are currently awaiting all the approvals and signatures to begin the last phase of the City's construction along Lone Valley Road.

In 2017 the city contracted with a group from Washington University to conduct research and interviews with residents and non-residents to assist us with branding and to establish a course of action to increase the city's population and commerce. The study found that the city should focus on empty nest individuals, feeling that they were our best market. Other recommendations were made based on their findings including the creation of two new positions within the city, one for marketing and the other for business development. Last year the City worked with the group to create a job description to combine the two positions into one. Blair Travis was hired after a lengthy search process of over 100 applicants. She has assumed her duties and is making great progress.

In other efforts to bolster economic development within the City, an agreement between the City and the Kentucky Department of Aviation was put in place for Calvert City to take over management of the Kentucky Dam State Park Airport. The City has sought and has obtained funding from the state for improvements. Once the airport has been recertified by the Federal Aviation Administration federal funding sources will be available. The City believes upgrading the airport will rejuvenate it and help bring economic opportunities to the City through tourism.

Calvert City understands the need and strives continually to be fiscally responsible and more efficient. This includes reducing our energy costs and consumption whenever possible, efficiently utilizing our skilled workforce, and closely monitoring our expenditures. Reduction of our energy costs is typically done by utilizing new technologies that pay for themselves over a fixed period of years through cost savings. The city continues to install or replace existing lights and fixtures with LED lights and fixtures throughout the city. New LED lights were installed at baseball/softball fields 3 and 4, the batting cage and the Basketball courts in Doctor's Park. The city's facility maintenance technician continues to identify and terminate electrical services that are either not needed or under-utilized. Other energy saving applications include insulation upgrades, thermal windows, and more energy efficient HVAC systems. The city continues to incorporate applications such as automated and programmable controls and replace existing fixtures with more energy efficient systems.

The city has established a maintenance program throughout its facilities with emphasis on repair of existing or replacement with more economical systems. The goal is to move from response maintenance to preventative maintenance for the city facilities and enhance the aesthetics of the City facilities. The Fire Training Center had numerous improvements including new roofing, siding and additional parking. The Civic Center parking lot was enlarged to accommodate approximately 100 vehicles. Paving in Park facilities include the walking trail in Doctor's Park; enlargement of both parking lots in Memorial Park; and paving the gravel road in Old Park. A new pavilion in Old Park designed to enhance the aesthetics of the park and the multi-use trail has been completed. Removal of the old front pavilion has also been completed. All pavilions and the Amphitheatre were cleaned, stained if needed and sealed for protection.

The city's workforce continues to enhance its personnel's capabilities through specialized training. Qualified employees help to insure the safety of the public. The city is mandating special training for certain employees to insure the proper use and management of facilities and equipment. Equipping employees with the knowledge and tools needed to meet the ever-changing demands is continuous and essential. Its design is to build employee morale and skills and insure the safety of the residents and employees.

The City's Safety Committee and safety training program is now on a regular monthly schedule. Periodic safety and risk management inspections now occur to help insure a safe work and use environment for both residents and employees. Results of the inspections are forwarded to the department heads for remediation of violations and affirmation of jobs well done. Employees are encouraged to help identify and address safety issues by assessing a job site and the operation(s) to be performed for possible dangers and hazards. Employees are encouraged to discuss the project and their role in the operation for clarity and safety. Employees are also encouraged to report hazardous conditions or equipment to their supervisor for repair or replacement. Continuing to improve our safety program is netting financial results in discounts to our insurance rates.

To increase our workforce's ability to cope with the increasing workloads, we replace aging equipment with new and better equipment. This year the city has added a new zero-turn mower for Parks, a utility vehicle for the Streets and a police car. One exception to this was the restoration of the City's first fire truck. Number 1 was restored in an effort to preserve a portion of the Volunteer Fire Department and the City's history. Future plans are to construct a facility to house and display the vehicle and other historic items.

The Calvert City Cemetery Board this year completed a decorative block wall which was constructed along the southern property line of the Cemetery to enhance the character and provide separation from the existing subdivision. The Fire Training Center has repaired and upgraded its confined space firefighting training props.

The Calvert City Street Revitalization Program is now in its third five-year program. This program has been highly successful in getting the city streets to a very good condition. The program is developed by an independent third party engineering firm to establish an annual, accelerated, and prioritized repair of city streets based on the greatest need. Flooding and flash flooding are ever present issues of the city and it continues an aggressive storm water drainage program of culvert replacement and/or repair and reworking storm water conveyors as needed to ensure the proper drainage of storm water. Inspection and assessment of storm water infrastructure and prioritization of maintenance continue. Plant Cut-off Road had to be addressed as sink holes developed around culverts in the street.

In the area of economic development, the city continues to work with Marshall County Economic Development director Josh Tubbs for industrial preservation and recruitment, but is actively utilizing our Director of Marketing, Communications and Business Development for commercial and residential retention and recruitment. The city is preparing to conduct a study for a revision to our Strategic and Comprehensive Plan's and to create a Transportation Master Plan which will include a Greenways Master Plan component as it continues to explore direction and funding sources for infrastructure projects.

The Calvert City Water and Sewer Department completed several capital improvement projects through the audit year. The Heights Area Phase IV Water Main Replacement Project which replaced water mains along Cedar and Cherry Street from Fifth Ave. to Coffee St. was completed in early summer. The project completes replacement of the waterlines originally installed in the Calvert Heights subdivision bounded by 5th Ave., Evergreen St., Crabapple St., Coffee St and Cedar St. Small 2" and 4" water lines originally located at the rear of the properties had become a significant maintenance problem and completion of the project has improved system reliability. In addition, fire protection within the area has been improved significantly with the installation of a gridded network of larger 6" and 8" PVC mains and an increased number of fire hydrants.

Improvements to the City's well field continued during the audit year. Engineering work has been completed to finish installation of a new well that will replace an existing well scheduled to be abandoned. The project will include transmission and other improvements needed to integrate the well in the source water system.

In February 2019, high water on the Tennessee River resulted in the Department implementing an emergency response plan to protect a portion of the Water Plant that lies below the 100-year floodplain. Weather patterns have produced higher amounts of precipitation in recent years increasing the frequency of flooding within the area. After the flood event was over, the Mayor, Council and Board of Public Utility Commissioners authorized a feasibility study for construction of a new water plant at a new site. An engineering firm has been hired for the project and the study is expected to be complete in the summer of 2020. The study includes a review of feasibility of softening treated water.

Much of the Department's work beyond normal operations during the audit year was associated with rehabilitation of the wastewater treatment plant. The City has executed an Agreed Order with the Kentucky Department of Environmental Protection requiring the City to take action to make improvements needed to assure continuous compliance with the discharge permit for the wastewater treatment plant. The estimated cost of the improvements to the wastewater system is projected to be in excess of \$2 million and will take several years to complete. During the audit period, departmental personnel completed most of the lagoon dredging operations removing decades of solids that were captured in the lagoon cells as part of the wastewater treatment process. The work is being completed in advance of a project to construct a new impermeable synthetic liner in Cells 1 & 4 of the plant.

Additionally, during the period, a new program for operation, maintenance and management of the wastewater collection system referred to as the CMOM program was initiated. The program is an asset management program specifically designed for maintenance of the wastewater collection system.

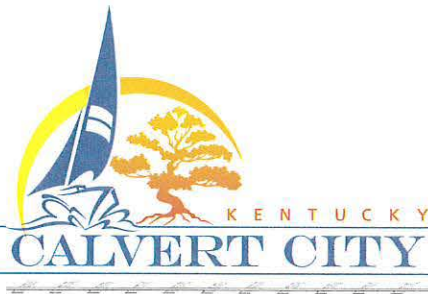
Financial performance during the year was negatively impacted by an unexpected increase in the unfunded liability associated with the employee pension system and post – employment benefits. Management will work with the pension system to improve the methodology for projecting this expense over the next budget year.

Management is working to update the Five-Year Capital Improvements Plan. As part of the process, the Wastewater Regional Facility Plan is due to be updated. The plans are updated periodically to ensure that funding is being directed to priority needs while yielding a solid return on investment. The Calvert City Board of Public Utility Commissioners continues to work hard to provide for quality services that are reliable and cost effective.

Requests for Additional Information

This report is intended to provide the readers with a general overview of Calvert City's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in this report or need additional information, please contact Calvert City Hall, Attn: City Administrator, 861 East 5th Ave., P.O. Box 36, Calvert City, KY 42029

OTHER SUPPLEMENTAL INFORMATION



Greetings:

In December, I might have written about the robust economy, the soaring stock market, the bright future for the American worker. But, COVID 19 changed my dreams and forced a new reality. Suddenly, millions of workers were denied access to their work, the market tumbled, panic took control of America's conscience.

All the changes have produced for me a new way of thinking, a very new look at my world, visions of a new reality. I do not consider all things lost. I do consider all things now to be new. Opportunities will abound, those who ignore the opportunities will be losers.

That is why Calvert City will advance. We will not quit, we will not lose focus, our dreams continue. Those dreams include several significant capital projects with important infrastructure improvements. The dream includes renovated housing, new housing, and a dramatic landscape redesign. It will be a new way of doing business, a more efficient, a more profitable solution. I am excited about the changes. Calvert City will win!

While some financial challenges will result from the economic downturn, other opportunities, like grants, will become available to communities ready to go to work. Fortunately, Calvert City's strategic plan keeps us ready. Go to work we shall and by the end of 2021 some remarkable moments will have happened. You don't believe it, just watch and see!

Sincerely,

Lynn B. Jones

Mayor

BASIC FINANCIAL STATEMENTS

CITY OF CALVERT CITY, KENTUCKY
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,385,232	\$ 1,091,536	\$ 10,476,768
Receivables (net)	623,799	340,162	963,961
Internal balances	(20,905)	20,905	-
Prepaid expenses	41,517	19,351	60,868
Other current assets	475	1,834	2,309
Total current assets	<u>10,030,118</u>	<u>1,473,788</u>	<u>11,503,906</u>
Non-current assets:			
Capital assets, not being depreciated	6,216,191	676,992	6,893,183
Capital assets, net of accumulated depreciation	<u>8,710,103</u>	<u>12,111,138</u>	<u>20,821,241</u>
Total non-current assets	<u>14,926,294</u>	<u>12,788,130</u>	<u>27,714,424</u>
Total Assets	<u>24,956,412</u>	<u>14,261,918</u>	<u>39,218,330</u>
Deferred Outflows of Resources:			
Deferred pension related outflows	1,038,103	187,311	1,225,414
Deferred other post-employment benefits outflows	<u>434,468</u>	<u>74,508</u>	<u>508,976</u>
Total deferred outflows of resources	<u>1,472,571</u>	<u>261,819</u>	<u>1,734,390</u>
LIABILITIES			
Current liabilities:			
Accounts payable	681,488	117,966	799,454
Accrued payroll	26,604	7,758	34,362
Accrued compensated leave and other accrued expenses	131,327	101,696	233,023
Current maturities of notes payable	-	40,723	40,723
Current maturities of lease payable	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total current liabilities	<u>839,419</u>	<u>368,143</u>	<u>1,207,562</u>
Noncurrent liabilities:			
Accrued compensated leave	14,513	4,660	19,173
Pension obligations	3,712,339	940,321	4,652,660
Other post-employment benefit obligations	1,088,386	274,120	1,362,506
Lease payable	-	180,000	180,000
Notes payable	-	1,007,651	1,007,651
Unearned revenues	<u>500</u>	<u>-</u>	<u>500</u>
Total non-current liabilities	<u>4,815,738</u>	<u>2,406,752</u>	<u>7,222,490</u>
Total Liabilities	<u>5,655,157</u>	<u>2,774,895</u>	<u>8,430,052</u>
Deferred Inflows of Resources			
Deferred pension related inflows	204,964	48,527	253,491
Deferred other post-employment benefits inflows	<u>232,254</u>	<u>59,544</u>	<u>291,798</u>
Total deferred inflows of resources	<u>437,218</u>	<u>108,071</u>	<u>545,289</u>
NET POSITION			
Net invested in capital assets	14,926,294	11,459,756	26,386,050
Restricted for:			
Special revenue	554,193	-	554,193
Capital projects	-	40,500	40,500
Debt service	-	20,964	20,964
Unrestricted	<u>4,856,121</u>	<u>119,551</u>	<u>4,975,672</u>
TOTAL NET POSITION	<u>\$ 20,336,608</u>	<u>\$ 11,640,771</u>	<u>\$ 31,977,379</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,050,761	\$ -	\$ -	\$ 16,809	\$ (1,033,952)	\$ -	\$ (1,033,952)
Public safety	1,672,240	-	47,188	-	(1,625,052)	-	(1,625,052)
Sanitation	316,239	109,788	-	-	(206,451)	-	(206,451)
Highways and streets	1,019,134	-	-	-	(1,019,134)	-	(1,019,134)
Parks and recreation	576,681	14,225	-	-	(562,456)	-	(562,456)
Airport	36,467	10,150	-	-	(26,317)	-	(26,317)
Total governmental activities	4,671,522	134,163	47,188	16,809	(4,473,362)	-	(4,473,362)
Business-type activities:							
Public water and sewer	2,336,374	2,007,560	-	122,866	-	(205,948)	(205,948)
Total primary activities	\$ 7,007,896	\$ 2,141,723	\$ 47,188	\$ 139,675	(4,473,362)	(205,948)	(4,679,310)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,059,087	-	1,059,087
Taxes, levied for bank deposits					18,911	-	18,911
Personal property					88,622	-	88,622
Omitted tangibles					7,512	-	7,512
Payments in lieu of taxes					8,470	-	8,470
Payroll taxes					1,484,408	-	1,484,408
Insurance premiums tax					1,045,140	-	1,045,140
Franchise taxes					62,177	-	62,177
License, permits and fees					362,705	-	362,705
Intergovernmental					50,839	-	50,839
Miscellaneous					16,992	5,432	22,424
Interest and investment earnings					65,387	9,445	74,832
Special Item - Dissolution of Marshall County-							
Calvert City Riverport					937,548	-	937,548
Transfers					(100,000)	100,000	-
Total general revenues, special items, and transfers					5,107,798	114,877	5,222,675
Change in net position					634,436	(91,071)	543,365
Net position - beginning					19,702,172	11,731,842	31,434,014
Net position - ending					\$ 20,336,608	\$ 11,640,771	\$ 31,977,379

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Governmental Funds
June 30, 2019

			Special Revenue Funds		
	General Fund	Construction Fund	Municipal Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 7,229,093	\$ 1,601,947	\$ -	\$ -	\$ 8,831,040
Cash - restricted	-	-	524,021	30,172	554,193
Receivables					
Property and franchise tax	6,668	-	-	-	6,668
Payroll and insurance tax	600,546	-	-	-	600,546
Grants and other	16,585	-	-	-	16,585
Due from other funds	14,658	-	-	-	14,658
Prepaid expenses	41,517	-	-	-	41,517
Restricted membership and security deposits	475	-	-	-	475
Total assets	<u>\$ 7,909,542</u>	<u>\$ 1,601,947</u>	<u>\$ 524,021</u>	<u>\$ 30,172</u>	<u>\$ 10,065,682</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 671,453	\$ 10,035	\$ -	\$ -	\$ 681,488
Unearned revenues	500	-	-	-	500
Due to other funds	35,563	-	-	-	35,563
Other accrued expenses	63,906	-	-	-	63,906
Accrued payroll	26,604	-	-	-	26,604
Total liabilities	<u>798,026</u>	<u>10,035</u>	<u>-</u>	<u>-</u>	<u>808,061</u>
Fund balances:					
Nonspendable	41,992	-	-	-	41,992
Restricted	-	-	524,021	30,172	554,193
Committed	-	1,591,912	-	-	1,591,912
Assigned	523,880	-	-	-	523,880
Unassigned	6,545,644	-	-	-	6,545,644
Total fund balances	<u>7,111,516</u>	<u>1,591,912</u>	<u>524,021</u>	<u>30,172</u>	<u>9,257,621</u>
Total liabilities and fund balances	<u>\$ 7,909,542</u>	<u>\$ 1,601,947</u>	<u>\$ 524,021</u>	<u>\$ 30,172</u>	

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 funds.	14,926,294
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(81,935)
Pension obligations and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.	(2,879,200)
OPEB obligations and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.	(886,172)
Net position of governmental activities	<u>\$ 20,336,608</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				Total Governmental Funds
	General Fund	Construction Fund	Municipal Aid Fund	Non-Major Governmental Funds	
REVENUES					
Taxes	\$ 3,774,327	\$ -	\$ -	\$ -	\$ 3,774,327
Licenses and permits	362,705	-	-	-	362,705
Intergovernmental	-	-	50,839	-	50,839
Charges for services	134,163	-	-	-	134,163
Fines and forfeitures	5,025	-	-	-	5,025
Grants	63,997	-	-	-	63,997
Interest	60,983	-	4,157	247	65,387
Other	11,967	-	-	-	11,967
Total revenues	<u>4,413,167</u>	<u>-</u>	<u>54,996</u>	<u>247</u>	<u>4,468,410</u>
EXPENDITURES					
Current:					
General government	825,773	-	-	-	825,773
Public safety	1,244,392	-	-	-	1,244,392
Sanitation	285,513	-	-	-	285,513
Highways and streets	772,207	-	-	-	772,207
Parks and recreation	527,389	-	-	-	527,389
Airport	101,925	-	-	-	101,925
Capital outlay	-	1,277,097	-	-	1,277,097
Total expenditures	<u>3,757,199</u>	<u>1,277,097</u>	<u>-</u>	<u>-</u>	<u>5,034,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>655,968</u>	<u>(1,277,097)</u>	<u>54,996</u>	<u>247</u>	<u>(565,886)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	723,965	-	-	723,965
Transfers out	(823,965)	-	-	-	(823,965)
Total other financing sources (uses)	<u>(823,965)</u>	<u>723,965</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
SPECIAL ITEM					
Proceeds from dissolution of Marshall County- Calvert City River Port	<u>937,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>937,548</u>
Net change in fund balances	769,551	(553,132)	54,996	247	271,662
Fund balances - beginning	<u>6,341,965</u>	<u>2,145,044</u>	<u>469,025</u>	<u>29,925</u>	<u>8,985,959</u>
Fund balances - ending	<u>\$ 7,111,516</u>	<u>\$ 1,591,912</u>	<u>\$ 524,021</u>	<u>\$ 30,172</u>	<u>\$ 9,257,621</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 271,662
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlay of \$1,490,863 exceeded depreciation of \$716,998 in the current period.	773,865
Expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(6,268)
Payments of pension contributions require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds. However, pension expense in the government-wide statements are reported based on the actuarial study. This amount is the difference in the treatment of pension expense.	(349,878)
Payments of OPEB contributions require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds. However, OPEB expense in the government-wide statements are reported based on the actuarial study. This amount is the difference in the treatment of OPEB expense.	<u>(54,945)</u>
Change in net position of governmental activities	<u><u>\$ 634,436</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

ASSETS

Current Assets

Cash	\$ 1,091,536
Accounts receivable - customers	271,100
Other receivable	69,062
Due from the City of Calvert City	35,563
Prepaid expenses	19,351
Utility deposits	1,834
Total Current Assets	1,488,446

Noncurrent Assets

Capital assets, not being depreciated	676,992
Capital assets, being depreciated, net	12,111,138
Total Noncurrent Assets	12,788,130

Total Assets	14,276,576
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Deferred Outflows of Resources:

Deferred pension related outflows	187,311
Deferred other post-employment benefits outflows	74,508
Total deferred outflows of resources	261,819

LIABILITIES

Current Liabilities

Accounts payable	117,966
Accrued wages	7,758
Accrued interest	4,547
Other accrued expenses	65,413
Due to the City of Calvert City	14,658
Current maturities of notes payable	40,723
Current maturities of lease payable	100,000
Customer deposits	31,736
Total Current Liabilities	382,801

Non-Current Liabilities

Accrued compensated leave	4,660
Pension obligations	940,321
Other post-employment benefit obligations	274,120
Notes payable	1,007,651
Lease payable	180,000
Total Noncurrent Liabilities	2,406,752

Deferred Inflows of Resources

Deferred pension related inflows	48,527
Deferred other post-employment benefits inflows	59,544
Total deferred inflows of resources	108,071

NET POSITION

Net invested in capital assets	11,459,756
Restricted for:	
Capital projects	40,500
Debt service	20,964
Unrestricted - net position	119,551

TOTAL NET POSITION	\$ 11,640,771
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The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year ended June 30, 2019

Operating Revenues

Water and sewer usage fees, net	\$ 1,964,775
Hydrant fees	325
Disconnect fees	9,235
Customer penalties	33,225
	<u>2,007,560</u>

Operating Expenses

Salaries and wages	440,175
Payroll taxes	31,424
Employee benefits	412,573
Contractual services	112,189
Audit and legal	20,829
Operating supplies	90,902
Training	2,957
Utilities	232,942
Communications	13,430
Maintenance	266,603
Insurance	56,212
Transportation and travel	16,655
Office supplies	10,131
Miscellaneous	53,840
Bad debts	922
Depreciation	532,805
	<u>2,294,589</u>

Operating income

(287,029)

Non-operating Revenues (Expenses)

Interest expense	(37,355)
Service fees	(4,430)
Interest income	9,445
Miscellaneous revenue (expense)	1,382
Rental income	4,050
Grant revenue	64,924
	<u>38,016</u>

Income before Contributions and Transfers

(249,013)

Contributions - tap-on and assessment fees	8,742
Transfers from the City of Calvert City	100,000
Capital grant subsidized through the City of Calvert	49,200
	<u>157,942</u>

Changes in net position

(91,071)

Total net position - beginning

11,731,842

Total net position - ending

\$ 11,640,771

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2019

CASH FLOW FROM OPERATING ACTIVITIES

Collections from customers	\$ 2,034,559
Cash paid to suppliers	(869,055)
Cash paid to employees	(666,661)
Other receipts	<u>5,431</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

504,274

**CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Capital expenditures	(836,860)
Contributed capital and transfers	157,942
Proceeds from grant revenue	64,924
Proceeds from debt issues	294,281
Principal payments on notes and bonds	(39,572)
Principal payments on capital lease	(100,000)
Interest payments on notes, bonds, and capital leases	<u>(37,355)</u>

**NET CASH USED IN CAPITAL AND
RELATED FINANCING ACTIVITIES**

(496,640)

CASH FLOW FROM INVESTING ACTIVITIES

Interest income	<u>9,445</u>
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**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

9,445

**NET INCREASE IN CASH AND CASH
NET INCREASE IN CASH**

17,079

CASH, BEGINNING OF YEAR

1,074,457

CASH, END OF YEAR

\$ 1,091,536

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES:**

Acquisition of equipment and improvements	\$ 866,816
Amount financed with prior year trade payables	<u>(29,956)</u>
Net cash paid for equipment and improvements	<u><u>\$ 836,860</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2019

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ (287,029)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	532,805
Non-operating revenues and expenses	1,002
Change in assets and liabilities:	
Accounts receivable	26,999
Other receivables	(64,925)
Other current assets	4,307
Accounts payable	74,358
Accrued interest and fees payable	(1,078)
Customer deposits	325
Pension obligation and related deferrals	215,566
Other current liabilities	1,944
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 504,274</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY, KENTUCKY NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Calvert City, Kentucky complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2019.

Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The basic financial statements include a blended component unit. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Unit – The Calvert City Municipal Water and Sewer System serves all the citizens of the government and is governed by a board appointed by the Mayor of the City of Calvert City. The rates for user charges and debt issue authorizations are approved by the City of Calvert City's Council and the legal liability for general obligation debt of Calvert City Municipal Water and Sewer System remains with the City of Calvert City. The Calvert City Municipal Water and Sewer System is reported as a proprietary fund. Stand alone financial statements of the Calvert City Municipal Water and Sewer System can be obtained at City Hall, Calvert City, Kentucky.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information about the City as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not classified as program revenues are presented as general revenues of the City. 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.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual proprietary fund are reported in separate columns in the fund financial statements.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The City reports unearned revenue on its government-wide statement of net position and on the fund financial statements. Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises when the City receives resources before it has a legal claim on them, as when grant funds are received prior to incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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

Fund Types and Major Funds

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City’s major governmental funds are the General Fund, Construction Fund and Municipal Aid Fund. The following funds are used in the financial statements:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Construction Fund – The Construction Fund is used to account for the activities related to major capital projects of the City.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *Municipal Aid Fund* is used to account for state aid for streets and road improvements.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Municipal Water and Sewer System are charges for water and sewer service. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

The City Council updated and adopted formal deposit and investment policies in December 1994. These policies apply to all City and component unit funds not contained in public trusts.

For the purpose of the Statement of Net Position, "cash" includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash" includes all restricted and unrestricted demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits and certificates of deposits are reported at carrying amount which reasonably estimates fair value. Additional cash and investment disclosures are presented in Note B.

Governmental Fund Receivables

Receivables consist of various grants and taxes net of allowances for doubtful accounts. All property taxes are due and payable on February 1st, and all taxes not paid by March 1st, are deemed delinquent. There will be a penalty of six percent added to the balance due at this time. Taxes are normally levied by November 1st. Property tax liens will be filed for all delinquent taxes unpaid at December 31st. City property taxes are recognized when levied to the extent that they result in current receivables.

Governmental funds report receivables for revenues that are considered available to liquidate liabilities of the current period while in the Statement of Net Position; receivables are reported for revenues when earned.

Proprietary Fund Accounts Receivable and Bad Debts

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 15 days from the invoice mailing date. Unpaid accounts receivable with invoice mailing dates over 15 days old are subject to a 15% penalty on the outstanding balance. Customers are subject to disconnection after 30 days past invoice mailing date. Reconnections are subject to collect and reconnect fees. Due to the uncertainty regarding collecting, reconnect fees are recognized as income when received.

Accounts receivable are stated at amounts billed to the customer plus any accrued penalties. Customer account balances with invoices over 30 days old are considered delinquent.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Accounts Receivable and Bad Debts (Continued)

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoice.

No allowance for doubtful accounts has been provided since it is believed the balance in accounts receivable is fully collectible. Customer accounts are written off after one year. The effect of using this method is not significantly different from results which would be obtained by using the allowance method.

Interfund Transactions

Interfund transactions are reflected as either services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation, and are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Restricted Net Position

Certain special revenue funds and proprietary fund assets are restricted for special purpose or construction and are funded through enabling legislation or because of constraints that are externally imposed by creditors and grantors. Restricted assets are reported in various funds for cash deposited in bank accounts restricted for specified uses. Any required transfers to these funds have been made.

As described in Note G, the City of Calvert City has entered into a capital lease on behalf of the Calvert City Municipal Water and Sewer System. Funds are held in the City's name for the debt service. Funds are distributed as expenditures are incurred. All required distributions have been made.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

In the government-wide financial statements, and the proprietary fund financial statements, all capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets donated are recorded at their fair market values at the date received. Depreciation is provided by the straight-line method over the estimated useful lives of the various classes of assets as follows:

Government Funds		Proprietary Funds	
	<u>Years</u>		<u>Years</u>
Buildings	25-50	Water and sewer plant	10-40
Building improvements	10-25	Equipment	5-10
General equipment & furnishings	5-25	Vehicles	5
Vehicles	5-10		
Infrastructure and land improvements	12-50		

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is earned based on years of credited service. Vacation leave accrues annually on January 1st and City policy requires use by the end of the calendar year. Sick leave for vested employees (minimum of six months service before becoming eligible) is earned on the basis of ½ day per month. Employees may accumulate a maximum of sixty days. Upon retirement, days accumulated shall have a cash value equal to 50% of their current wage. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement. As of June 30, 2019, the liability for accrued vacation and sick leave was \$67,422 for the City of Calvert City and \$43,927 for the Calvert City Municipal Water and Sewer System.

Fund Balance Reserves

The City fund balance reserves are reported under the requirements of GASB Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", which defines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form (such as prepaid) or because they are legally or contractually required to be maintained intact.

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

Committed fund balances includes amounts that can only be used for specific purposes (such as future construction projects) pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the City Council. The City Council must approve by majority vote the establishment (and modification or rescinding) of fund balance commitments.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose, but are neither restricted nor committed. Assigned fund balance also includes 1) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and 2) amounts in the general fund that are intended to be used for a specific purpose (such as Cemetery, Fire Vehicles and Equipment, DARE, City Beautification).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

Government-wide Statement

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents the consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in the category deferred pension and other post-employment benefits (OPEB) related outflows reported in the statements of net position.

The deferred pension and OPEB outflows result from pension and OPEB contributions subsequent to the measurement date of the pension and OPEB plans and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items reported in this category deferred pension and OPEB related inflows. The various changes resulting from actuarial pension measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

Budget

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to July 1, the Mayor submits to the City Council a proposed operating budget covering the General Fund and each of the City's Special Revenue Funds for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the City to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with U.S. GAAP.

Excess of Expenditures Over Appropriation

There are no funds of the City that currently have a deficit fund balance.

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. Deposits are 100% secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or City Clerk.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (Continued)

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2019, the City's cash was in demand deposits. At year end, the carrying amount and the bank balance of the City's cash was \$9,385,707 and \$9,511,532, respectively. As of June 30, 2019, \$9,261,532 of the City's bank balance was collateralized with securities held by the City's agent.

Deposits of the City's proprietary fund are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2019, the proprietary fund's cash was in demand deposits. At year end, the carrying amount, including restricted cash, and the bank balance of the proprietary fund's cash was \$1,091,536 and \$1,136,313, respectively. As of June 30, 2019, \$886,313 of the proprietary fund's bank balance was collateralized with securities held by the City's agent.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's City Clerk. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes. In accordance with the City's investment policy and the State Statutes, the City may invest funds temporarily in excess of operating needs in the following:

1. Obligations of the U.S. Treasury, agencies, and instrumentalities, including obligations subject to repurchase agreements, provided delivery of obligations subject to repurchase agreements are held by the City or through an authorized agent;
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
3. Obligations of any corporation of the United States government;
4. Bonds or certificates of indebtedness of the state of Kentucky and of its agencies and instrumentalities;
5. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes;
6. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a national recognized rating agency.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City policy provides that to the extent feasible, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. With the exception of fully collateralized investments and authorized investment pools, no more than 15% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. Unless matched to a specific cash flow, investments are not, in general, made in securities maturing more than five years from the date of purchase. Surplus cash may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as feasible with the expected use of the investment. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy limits total cumulative investments at any one time in categories 6, 7, and 8 listed previously not to exceed 20% of the total amount of funds invested. In addition, the policy does not permit purchases on a margin basis or through the use of any similar leveraging technique.

For the year ended June 30, 2019, the City had no investments as all deposits were in demand deposit accounts.

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE C – RECEIVABLES

Receivable, net of reserve, as of June 30, 2019 consist of the following:

<u>Description</u>	<u>Statement of Net Position</u>	<u>Governmental Funds</u>
Taxes:		
Franchise (general fund)	\$ 6,409	\$ 6,409
Payroll (general fund)	371,712	371,712
Insurance (general fund)	228,834	228,834
Bank Deposit (general fund)	410	410
Property (general fund)	259	259
Other (general fund)	<u>16,175</u>	<u>16,175</u>
Total	<u>\$ 623,799</u>	<u>\$ 623,799</u>

Due to the uncertainty of collection of property taxes, an allowance for doubtful accounts has been provided. The reserve amount for the year ended June 30, 2019 was \$73,950.

Due to the uncertainty of collection of franchise taxes, an allowance for doubtful accounts equal to the estimate of material delinquent accounts has been provided. The reserve amount for the year ended June 30, 2019 was \$211.

NOTE D – CAPITAL ASSETS

A summary of the capital asset activity for the fiscal year ended at June 30, 2019, was as follows:

<u>Governmental Funds</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 4,798,573	\$ 80,000	\$ -	\$ 4,878,573
Construction in Progress	<u>847,196</u>	<u>811,290</u>	<u>320,868</u>	<u>1,337,618</u>
Total capital assets, not being depreciated:	<u>5,645,769</u>	<u>891,290</u>	<u>320,868</u>	<u>6,216,191</u>
<u>Capital assets, being depreciated:</u>				
Infrastructure and land improvements	12,591,640	772,052	-	13,363,692
Buildings	2,208,956	-	-	2,208,956
Building improvements	774,861	-	-	774,861
Vehicles	2,166,536	76,078	-	2,242,614
General equipment and furnishings	<u>2,524,430</u>	<u>72,311</u>	-	<u>2,596,741</u>
Totals at historical cost	<u>20,266,423</u>	<u>920,441</u>	-	<u>21,186,864</u>
Less: Accumulated depreciation				
Infrastructure and land improvements	6,977,021	402,273	-	7,379,294
Buildings	1,108,525	51,480	-	1,160,005
Building improvements	288,632	30,635	-	319,267
Vehicles	1,741,206	87,878	-	1,829,084
General equipment and furnishings	<u>1,644,379</u>	<u>144,731</u>	-	<u>1,789,111</u>
Total accumulated depreciation	<u>11,759,763</u>	<u>716,998</u>	-	<u>12,476,761</u>
Total capital assets, being depreciated, net:	<u>8,506,660</u>	<u>203,443</u>	-	<u>8,710,103</u>
Primary Government Activities				
Capital Assets – Net	<u>\$ 14,152,429</u>	<u>\$ 1,094,733</u>	<u>\$ 320,868</u>	<u>\$ 14,926,294</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE D – CAPITAL ASSETS (Continued)

<u>Proprietary Fund</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 282,886	\$ -	\$ -	\$ 282,886
Construction in Progress	<u>164,616</u>	<u>796,586</u>	<u>567,096</u>	<u>394,106</u>
Total capital assets, not being depreciated:	<u>447,502</u>	<u>796,586</u>	<u>567,096</u>	<u>676,992</u>
<u>Capital assets, being depreciated:</u>				
Water and sewer system	20,317,423	625,566	-	20,942,989
Vehicles	324,443	-	-	324,443
Equipment	<u>434,027</u>	<u>11,760</u>	<u>-</u>	<u>445,787</u>
Totals at historical cost	<u>21,075,893</u>	<u>637,326</u>	<u>-</u>	<u>21,713,219</u>
Less: Accumulated depreciation				
Water and sewer system	8,604,075	475,207	-	9,079,282
Vehicles	212,240	27,784	-	240,024
Equipment	<u>252,961</u>	<u>29,814</u>	<u>-</u>	<u>282,775</u>
Total accumulated depreciation	<u>9,069,276</u>	<u>532,805</u>	<u>-</u>	<u>9,602,081</u>
Total capital assets, being depreciated, net:	<u>12,006,617</u>	<u>104,521</u>	<u>-</u>	<u>12,111,138</u>
Component Unit Activities				
Capital Assets – Net	<u>\$ 12,454,119</u>	<u>\$ 901,107</u>	<u>\$ 567,096</u>	<u>\$ 12,788,130</u>

Depreciation expense, by function, was as follows:

General government	\$ 158,300
Public Safety	117,636
Sanitation	30,726
Parks and recreation	114,550
Highways and streets	<u>295,786</u>
	<u>\$ 716,998</u>
Water and Sewer System	<u>\$ 532,805</u>

NOTE E – CONSTRUCTION IN PROGRESS

The City of Calvert City had the following capital projects in process at June 30, 2019:

	<u>Cumulative Costs Incurred</u>
Shar-Cal Road upgrade	\$ 4,375
Multi-Use Walking Trail	1,200,934
New Pavilion – Old Park	66,851
Airport – Leasehold Improvements	<u>65,458</u>
	<u>\$ 1,337,618</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE E – CONSTRUCTION IN PROGRESS (Continued)

The Calvert City Municipal Water and Sewer System had the following capital projects in process at June 30, 2019:

	<u>Cumulative Costs Incurred</u>
Chlorine Contact Chamber Port Inlet	\$ 15,562
Sludge Removal - Sewer	176,818
Sewer Lagoon	110,204
Sanitary Sewer – Phase IV Assessment	58,885
WWTP Effluent Lift Station	7,957
PB Cloud Water Line Extension	8,280
Well #6	13,190
Other Projects	<u>3,210</u>
	<u>\$ 394,106</u>

Completion of these projects is based upon the availability of additional resources.

NOTE F – DUE TO/FROM BALANCES

The summary of due to/from other funds as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Water & Sewer System	\$ 14,658
Municipal Water & Sewer System	General Fund	\$ 35,563

NOTE G - LONG-TERM DEBT

Governmental Funds

The City of Calvert City has entered into a capital lease agreement, on behalf of its blended component unit, with the Kentucky League of Cities Funding Trust for the construction of an above ground water storage facility. At the end of the lease term, title of the facility will pass to the Water & Sewer System. For the year ended June 30, 2019, amortization of \$40,286 related to the leased facility was included in depreciation.

Lease payable consists of the following:

Kentucky League of Cities Funding Trust lease, dated January 30, 2002, with fixed interest rate of 4.68%, maturing October 30, 2021, collateralized by all taxable property of the City of Calvert City	\$ 280,000
Less current maturities	<u>100,000</u>
	<u>\$ 180,000</u>

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

A detail schedule of the blended component unit's future lease and interest requirements is shown below:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2020	4.68%	\$ 13,511	\$ 100,000	\$ 113,511
2021	4.68%	7,728	120,000	127,728
2022	4.68%	<u>1,400</u>	<u>60,000</u>	<u>61,400</u>
		<u>\$ 22,639</u>	<u>\$ 280,000</u>	<u>\$ 302,639</u>

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2010. This agreement provides capital project funding utilizing a combination of both long-term borrowing and federal stimulus grants funds from the American Recovery and Reinvestment Act. The notes mature December 1, 2031 with semi-annual payments principal and interest accruing at 3.00%.

Notes payable consists of the following:

Kentucky Infrastructure Authority lease, dated February 1, 2010, with fixed interest rate of 3.00%, maturing June 30, 2031, collateralized by water and sewer system property.	\$ 317,229
Less current maturities	<u>22,324</u>
	<u>\$ 294,905</u>

The detail schedule of future principal and interest requirements on notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2020	3.00%	\$ 9,974	\$ 22,324	\$ 32,298
2021	3.00%	9,254	22,999	32,253
2022	3.00%	8,513	23,694	32,207
2023	3.00%	7,749	24,410	32,159
2024	3.00%	6,962	25,148	32,110
2025 – 2029	3.00%	22,146	137,611	159,757
2030 – 2031	3.00%	<u>2,460</u>	<u>61,043</u>	<u>63,503</u>
		<u>\$ 67,058</u>	<u>\$ 317,229</u>	<u>\$ 384,287</u>

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2017. The notes mature December 1, 2037 with semi-annual payments principal and interest accruing at 2.75%.

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

Notes payable consists of the following:

Kentucky Infrastructure Authority lease, dated October 1, 2016, with fixed interest rate of 2.75%, maturing December 1, 2037, collateralized by water and sewer system property.	\$ 436,864
Less current maturities	<u>18,399</u>
	<u>\$ 418,465</u>

The detail schedule of future principal and interest requirements is as follows:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2020	2.75%	\$ 12,753	\$ 18,399	\$ 31,152
2021	2.75%	12,206	18,908	31,114
2022	2.75%	11,645	19,432	31,077
2023	2.75%	11,067	19,970	31,037
2024	2.75%	10,474	20,523	30,997
2025 - 2029	2.75%	42,883	111,459	154,342
2030 - 2034	2.75%	25,387	127,768	153,155
2035 - 2038	2.75%	<u>6,004</u>	<u>100,405</u>	<u>106,409</u>
		<u>\$ 132,419</u>	<u>\$ 436,864</u>	<u>\$ 569,283</u>

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2019 in the amount of up to \$542,900. The loan will be repaid over a period not to exceed twenty years from the last draw of funds, with an interest at the rate of 2.00% per annum commencing with the first draw of funds. Accordingly, the note is classified as long-term until completion of the project. As of June 30, 2019 the System has made one draw in the amount of \$294,281.

NOTE H – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Pension obligation	\$ 3,304,368	\$ 612,449	\$ (204,478)	\$ 3,712,339	\$ -
OPEB obligation	1,170,798	-	(82,412)	1,088,386	-
Accumulated sick leave	<u>75,666</u>	<u>114,051</u>	<u>(107,782)</u>	<u>81,935</u>	<u>67,422</u>
Governmental activity Long-term liabilities	<u>\$ 4,550,832</u>	<u>\$ 726,500</u>	<u>\$ (394,672)</u>	<u>\$ 4,882,660</u>	<u>\$ 67,422</u>
Business-type activities:					
Bonds payable:					
Notes payable	\$ 793,665	\$ 294,281	\$ (39,572)	\$ 1,048,374	\$ 40,723
Capital leases	380,000	-	(100,000)	280,000	100,000
Pension obligation	821,061	174,847	(55,587)	940,321	-
OPEB obligation	282,002	10,161	(18,043)	274,120	-
Accumulated sick leave	<u>38,034</u>	<u>51,211</u>	<u>(45,318)</u>	<u>43,927</u>	<u>39,267</u>
Business-type activities Long-term liabilities	<u>\$ 2,314,762</u>	<u>\$ 530,500</u>	<u>\$ (258,520)</u>	<u>\$ 2,586,742</u>	<u>\$ 179,990</u>

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE I – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Governmental Activities				
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 204,478	\$ 240,991	\$ (204,478)	\$ 240,991
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	94,078	201,303	(86,652)	208,729
<i>Differences between expected and actual experience</i>	52,954	243,971	(87,704)	209,221
<i>Change of assumptions</i>	630,355	-	(251,193)	379,162
<i>Difference between projected and actuarial earnings</i>	35,866	-	(35,866)	-
<i>Pension related deferred outflows</i>	<u>\$ 1,017,731</u>	<u>\$ 686,265</u>	<u>\$ (665,893)</u>	<u>\$ 1,038,103</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 193,800	\$ 45,856	\$ (104,743)	\$ 134,913
<i>Difference between expected and actual experience</i>	48,885	-	(22,013)	26,872
<i>Difference between expected and actuarial earnings</i>	-	91,636	(48,457)	43,179
<i>Pension related deferred inflows</i>	<u>\$ 242,685</u>	<u>\$ 137,492</u>	<u>\$ (175,213)</u>	<u>\$ 204,964</u>
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 75,639	\$ 88,437	\$ (75,639)	\$ 88,437
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	69,380	-	69,380
<i>Change of assumptions</i>	331,810	-	(55,159)	276,651
<i>OPEB related deferred outflows</i>	<u>\$ 407,449</u>	<u>\$ 157,817</u>	<u>\$ (130,798)</u>	<u>\$ 434,468</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 1,636	\$ 15,783	\$ (1,563)	\$ 15,856
<i>Differences between expected and actual experience</i>	3,024	150,377	(29,210)	124,191
<i>Change of assumptions</i>	-	3,410	(660)	2,750
<i>Difference between projected and actuarial earnings</i>	63,218	47,242	(21,003)	89,457
<i>OPEB related deferred inflows</i>	<u>\$ 67,878</u>	<u>\$ 216,812</u>	<u>\$ (52,436)</u>	<u>\$ 232,254</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE I – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Business-Type Activities				
Pensions				
<i>Deferred pension contributions</i>	\$ 55,587	\$ 60,939	\$ (55,587)	\$ 60,939
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	11,544	-	(7,740)	3,804
<i>Differences between expected and actual experience</i>	1,018	43,138	(13,485)	30,671
<i>Change of assumptions</i>	151,508	-	(59,611)	91,897
<i>Difference between projected and actuarial earnings</i>	<u>10,156</u>	<u>-</u>	<u>(10,156)</u>	<u>-</u>
<i>Pension related deferred outflows</i>	<u>\$ 229,813</u>	<u>\$ 104,077</u>	<u>\$ (146,579)</u>	<u>\$ 187,311</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 15,676	\$ 23,488	\$ (15,676)	\$ 23,488
<i>Difference between projected and actual experience</i>	20,842	-	(7,078)	13,764
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>25,234</u>	<u>(13,959)</u>	<u>11,275</u>
<i>Pension related deferred inflows</i>	<u>\$ 36,518</u>	<u>\$ 48,722</u>	<u>\$ (36,713)</u>	<u>\$ 48,527</u>
Other Post-employment Benefits (OPEB)				
<i>Deferred outflows of resources</i>				
<i>Deferred OPEB contributions</i>	\$ 18,043	\$ 19,762	\$ (18,043)	\$ 19,762
<i>Change of assumptions</i>	<u>61,362</u>	<u>-</u>	<u>(6,616)</u>	<u>54,746</u>
<i>OPEB related deferred outflows</i>	<u>\$ 79,405</u>	<u>\$ 19,762</u>	<u>\$ (24,659)</u>	<u>\$ 74,508</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 654	\$ 8,085	\$ (654)	\$ 8,085
<i>Difference between expected and actual experience</i>	783	37,142	(5,980)	31,945
<i>Change of assumptions</i>	-	753	(120)	633
<i>Difference between projected and actuarial earnings</i>	<u>13,327</u>	<u>9,850</u>	<u>(4,296)</u>	<u>18,881</u>
<i>OPEB related deferred inflows</i>	<u>\$ 14,764</u>	<u>\$ 55,830</u>	<u>\$ (11,050)</u>	<u>\$ 59,544</u>

NOTE J – EMPLOYEE RETIREMENT SYSTEM

The City provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement System (CERS). Information regarding this plan is as follows:

County Employees' Retirement System

Plan description - The City is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. 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. That report may be obtained from <http://kyret.ky.gov/>.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (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, non-hazardous and hazardous employees are grouped into three tiers, based on hire date:

Non-hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Hazardous members:

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

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

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

Plan Funding – State statute requires active members to contribute % of creditable compensation based on the tier:

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

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 16.22% for non-hazardous employees and 24.86% for hazardous employees for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City was as follows:

City's non-hazardous proportionate share of the CERS net pension liability	\$ 2,776,083
City's hazardous proportionate share of the CERS net pension liability	<u>1,876,577</u>
Total CERS net pension liability associated with the City	<u>\$ 4,652,660</u>

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the City's non-hazardous proportion was 0.045582% and hazardous proportion was 0.077594%.

For the year ended June 30, 2019, the City recognized pension expense of \$825,060 related to CERS pension plans. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Non-hazardous</u>		<u>Hazardous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 90,548	\$ 40,636	\$ 149,344	\$ -
Changes in assumptions	271,304	-	199,755	-
Net difference between projected and actual earnings on pension plan investments	-	33,287	-	21,167
Changes in proportion and differences between City contributions and proportionate share of contributions	11,230	69,344	201,303	89,057
City contributions subsequent to the measurement date	<u>196,190</u>	<u>-</u>	<u>105,740</u>	<u>-</u>
Total	<u>\$ 569,272</u>	<u>\$ 143,267</u>	<u>\$ 656,142</u>	<u>\$ 110,224</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

The City reported \$301,930 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions which will be recognized in pension expense as follows:

	Fiscal Year Ending June 30	
	Non- Hazardous	Hazardous
2020	\$ 200,628	\$ 258,299
2021	84,927	165,389
2022	(40,839)	24,965
2023	(14,901)	(8,475)

Actuarial assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Non-Hazardous	Hazardous
Inflation	2.30%	2.30%
Projected salary increases	2.00%	2.00%
Investment rate of return, net of investment expense & inflation	6.25%	6.25%

For CERS, Mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 for all active and retired employees and beneficiaries. The RP-2000 Combined Mortality Table projected with Scale BB to 2013 setback four years for males is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	35.0%	4.50%-7.25%
Combined Fixed Income	24.0%	3.75%-8.50%
Global Bonds	4.0%	3.00%
Real Estate	5.0%	9.00%
Private Equity	10.0%	6.50%
Real Return (Diversified Inflation Strategies)	10.0%	7.00%
Absolute Return (Diversified Hedge Funds)	10.0%	5.00%
Cash	2.0%	1.50%
Total	<u>100.0%</u>	

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 contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
Non-hazardous' proportionate share of net pension liability	\$ 3,494,801	\$ 2,776,083	\$ 2,173,923
Hazardous' proportionate share of net pension liability	\$ 2,351,229	\$ 1,876,577	\$ 1,484,189

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

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

CERS Medical Insurance Plan

Plan description – the City contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Systems (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The City participates in the County Employees Retirement System (CERS). CERS non-hazardous and hazardous employee plans are administered separately.

Benefits provided – the Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

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

Contributions – per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The City was required to contribute at actuarially determined rates of 5.26% of non-hazardous covered payroll and 10.47% of hazardous covered payroll for the fiscal years ended June 30, 2019.

At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's non-hazardous proportion was 0.045580% and hazardous proportion was 0.077598%.

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

City's non-hazardous proportionate share of the CERS medical insurance liability	\$ 809,264
City's hazardous proportionate share of the CERS medical insurance liability	<u>553,242</u>
Total CERS medical insurance liability associated with the City	<u>\$ 1,362,506</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended June 30, 2019, the City recognized non-hazardous and hazardous OPEB expense of \$98,660 and \$112,362, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Non-hazardous</u>		<u>Hazardous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 94,309	\$ -	\$ 61,827
Changes in assumptions	161,622	1,870	169,775	1,513
Net difference between projected and actual earnings on pension plan investments	-	55,742	-	52,596
Changes in proportion and differences between City contributions and proportionate share of contributions	-	23,868	69,380	73
City contributions subsequent to the measurement date	<u>63,623</u>	<u>-</u>	<u>44,576</u>	<u>-</u>
Total	<u>\$ 225,245</u>	<u>\$ 175,789</u>	<u>\$ 283,731</u>	<u>\$ 116,009</u>

The City reported \$108,199 as deferred outflows of resources related to OPEB resulting from City non-hazardous and hazardous contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Fiscal Year Ending June 30</u>	
	<u>Non- Hazardous</u>	<u>Hazardous</u>
2020	\$ (1,703)	\$ 52,729
2021	(1,703)	52,729
2022	(1,703)	22,189
2023	9,123	(4,501)
2024	(11,604)	-
Thereafter	(6,577)	-

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%
Inflation rate	2.30%
Real Wage Growth	0.50%
Wage Inflation	2.00%
Healthcare cost trend rates	
Under 65	7.00% at January 1, 2020, decreasing to an ultimate rate of 4.05% over a period of 12 years
Ages 65 and Older	5.00% at January 1, 2020 decreasing to an ultimate rate of 4.05% over a period of 10 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%
Single Equivalent Interest Rate	5.85%, net of OPEB plan investment expense, including inflation.

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.00%	4.50%-7.25%
Fixed Income	24.00%	3.75%-8.50%
Global Bonds	4.00%	3.00%
Real Estate	5.00%	9.00%
Private Equity	10.00%	6.50%
Real Return	10.00%	7.00%
Absolute Return	10.00%	5.00%
Cash	2.00%	1.50%
Total	<u>100.0%</u>	

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Discount rate - The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous and 5.87% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85% for non-hazardous and 5.87% for hazardous, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85% for non-hazardous and 4.87% for hazardous) or 1-percentage-point higher (6.85% for non-hazardous and 6.87% for hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<i>CERS</i>			
Non-hazardous' proportionate share of net OPEB liability	\$ 1,051,104	\$ 809,264	\$ 603,260
Hazardous' proportionate share of net OPEB liability	\$ 769,034	\$ 553,242	\$ 380,495

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-hazardous' proportionate share of net OPEB liability	\$ 602,505	\$ 809,264	\$ 1,052,973
Hazardous' proportionate share of net OPEB liability	\$ 376,785	\$ 553,242	\$ 771,792

NOTE L – DISCLOSURES REGARDING STATEMENT OF CASH FLOWS

Accounting Policy

For purposes of the Statement of Cash Flows, cash include all restricted and unrestricted highly liquid debt instruments with maturities of three months or less.

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense during the year ended June 30, 2019 was \$37,355.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE M – CONCENTRATION OF CUSTOMERS

The Calvert City Municipal Water and Sewer System provide service to five significant commercial and industrial customers. These customers accounted for \$782,499 of total revenue for the year ended June 30, 2019. The City of Calvert receives approximately 57% of its payroll tax revenue from 8 industrial employers. Loss of these revenues would have a significant impact.

NOTE N – RISK MANAGEMENT

The City and the Calvert City Municipal Water & Sewer System are exposed to various risks of loss including, but not limited to property, casualty, general liability, auto liability, public officials' liability, employees' health and life, and workers compensation.

To limit exposure to these risks, the City and the Calvert City Municipal Water & Sewer System contracts for insurance coverage. During the year ended June 30, 2019, there were no significant reductions in insurance coverage. There have been no significant settlement amounts, if any, which exceed insurance coverage in the past two years. The City and Municipal System are not aware of any claims outstanding as of June 30, 2019.

NOTE O – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The City and Municipal System, on behalf of the City, receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities to insure compliance with conditions surrounding the granting of funds. If the grantor's review indicates the funds have not been used for the intended purpose, the grantor may request refund of funds advanced or refuse to reimburse the City for its expenditures. Management does not consider the amount of such future refunds and unreimbursed expenditures, if any, to be significant. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are spent as intended and the grantor's intent to continue their programs.

NOTE P – INTERFUND TRANSFERS

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

Between Governmental and Business-Type Activities

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Municipal Water and Sewer System	\$ <u>100,000</u>	Debt service subsidy and capital project

NOTE Q - RESTRICTED NET POSITION

The following is a summary of restricted net position at June 30, 2019:

<u>Special Revenue Funds</u>		<u>Proprietary Fund</u>	
Street improvements	\$ 524,021	Capital projects	\$ 40,500
Coal severance	<u>30,172</u>	Debt service	<u>20,964</u>
	<u>\$ 554,193</u>		<u>\$ 61,464</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE R – TAX ABATEMENTS

The Kentucky Business Investment (KBI) Program, KRS 154.32 provides income tax credits and wage assessments to new and existing manufacturing companies, and non-retail service companies that locate or expand operations in Kentucky. The Program can be set to last up to 10 years. For the year ended June 30, 2019, the City did not rebate any employee local payroll taxes under this program.

NOTE S– SPECIAL ITEMS

During the fiscal year ending June 30, 2019, the Marshall County-Calvert City Riverport dissolved. The City received \$937,548 in cash, which constituted of 50% of the Riverport's assets.

NOTE T – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 8, 2020, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Total	Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Taxes	\$ 3,267,000	\$ 3,267,000	\$ 3,774,327	\$ 507,327
Licenses and permits	411,200	411,200	362,705	(48,495)
Charges for services	125,000	125,000	134,163	9,163
Fines and forfeitures	1,700	1,700	5,025	3,325
Interest	60,800	60,800	60,983	183
Grants and other	48,900	48,900	75,964	27,064
Total revenues	<u>3,914,600</u>	<u>3,914,600</u>	<u>4,413,167</u>	<u>498,567</u>
EXPENDITURES				
Current:				
General government	887,450	887,450	825,773	(61,677)
Public safety	1,397,516	1,397,516	1,244,392	(153,124)
Sanitation	332,900	332,900	285,513	(47,387)
Highway and streets	960,600	960,600	772,207	(188,393)
Parks and Cemetery	578,400	578,400	527,389	(51,011)
Airport	50,000	50,000	101,925	51,925
Total expenditures	<u>4,206,866</u>	<u>4,206,866</u>	<u>3,757,199</u>	<u>(449,667)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(292,266)</u>	<u>(292,266)</u>	<u>655,968</u>	<u>948,234</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(823,965)</u>	<u>(723,965)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(823,965)</u>	<u>(723,965)</u>
SPECIAL ITEM				
Proceeds from dissolution of Marshall County- Calvert City River Port	<u>-</u>	<u>-</u>	<u>937,548</u>	<u>937,548</u>
Net change in fund balances	(392,266)	(392,266)	769,551	1,161,817
Fund balances - beginning	<u>6,341,965</u>	<u>6,341,965</u>	<u>6,341,965</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,949,699</u>	<u>\$ 5,949,699</u>	<u>\$ 7,111,516</u>	<u>\$ 1,161,817</u>

See auditors report on pages 1-2.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Municipal Aid Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Total	Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Intergovernmental	\$ 50,500	\$ 50,500	\$ 50,839	\$ 339
Interest	-	-	4,157	4,157
Other	-	-	-	-
Total revenues	<u>50,500</u>	<u>50,500</u>	<u>54,996</u>	<u>4,496</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Highway and streets	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,500</u>	<u>50,500</u>	<u>54,996</u>	<u>4,496</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	50,500	50,500	54,996	4,496
Fund balances - beginning	<u>469,025</u>	<u>469,025</u>	<u>469,025</u>	<u>-</u>
Fund balances - ending	<u>\$ 519,525</u>	<u>\$ 519,525</u>	<u>\$ 524,021</u>	<u>\$ 4,496</u>

See auditors report on pages 1-2.

CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	City's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>CERS Nonhazardous</u>					
2019	0.0456%	\$ 2,776,083	\$ 1,117,897	248.3308%	53.5420%
2018	0.0469%	\$ 2,746,840	\$ 1,141,459	240.6429%	53.3249%
2017	0.0483%	\$ 2,377,955	\$ 1,167,684	203.6471%	55.5028%
2016	0.0458%	\$ 1,970,629	\$ 1,081,582	182.1988%	59.9684%
2015	0.0484%	\$ 1,571,402	\$ 1,025,235	153.2724%	66.8010%
2014	0.0484%	\$ 1,778,089	\$ 919,617	193.3510%	66.2209%
<u>CERS Hazardous</u>					
2019	0.0776%	\$ 1,876,577	\$ 432,241	434.1506%	49.2645%
2018	0.0616%	\$ 1,378,589	\$ 340,877	404.4242%	49.7836%
2017	0.0736%	\$ 1,263,479	\$ 389,413	324.4573%	53.9483%
2016	0.0607%	\$ 931,646	\$ 311,161	299.4096%	57.5152%
2015	0.0675%	\$ 811,232	\$ 341,885	237.2821%	63.4574%
2014	0.0675%	\$ 905,936	\$ 323,216	280.2881%	65.7178%

* The amounts presented were determined as of the plan's measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

**CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

<u>Year Ended June 30</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<u>CERS Nonhazardous</u>					
2019	\$ 196,190	\$ 196,190	\$ -	\$ 1,209,560	16.2199%
2018	\$ 164,108	\$ 164,108	\$ -	\$ 1,117,897	14.6801%
2017	\$ 158,957	\$ 158,957	\$ -	\$ 1,141,459	13.9258%
2016	\$ 145,295	\$ 145,295	\$ -	\$ 1,167,684	12.4430%
2015	\$ 136,843	\$ 136,843	\$ -	\$ 1,081,582	12.6521%
2014	\$ 137,441	\$ 137,441	\$ -	\$ 1,025,235	13.4058%
2013	\$ 125,017	\$ 125,017	\$ -	\$ 919,617	13.5945%
<u>CERS Hazardous</u>					
2019	\$ 105,740	\$ 105,740	\$ -	\$ 425,339	24.8602%
2018	\$ 95,957	\$ 95,957	\$ -	\$ 432,241	22.1999%
2017	\$ 73,841	\$ 73,841	\$ -	\$ 340,877	21.6621%
2016	\$ 75,695	\$ 75,695	\$ -	\$ 389,413	19.4382%
2015	\$ 65,587	\$ 65,587	\$ -	\$ 311,161	21.0782%
2014	\$ 64,954	\$ 64,954	\$ -	\$ 341,885	18.9988%
2013	\$ 65,246	\$ 65,246	\$ -	\$ 323,216	20.1865%

* The amounts presented were determined as of the City's fiscal year-end.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

Changes of Benefit Terms:

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions:

The assumptions were updated as of result of an experience study for the three year period ending June 30, 2013.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The discount rate is 6.25% for plan year 2018.

The inflation rate is 2.30% for plan year 2018.

CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET MEDICAL INSURANCE LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

<u>Year Ended June 30</u>	<u>City's proportion of the net pension liability</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered payroll</u>	<u>City's share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CERS Nonhazardous</u>					
2019	0.0456%	\$ 809,264	\$ 1,117,897	72.3916%	57.6218%
2018	0.0469%	\$ 943,413	\$ 1,141,459	82.6497%	52.3940%
<u>CERS Hazardous</u>					
2019	0.0776%	\$ 553,242	\$ 432,241	127.9939%	64.2437%
2018	0.0616%	\$ 509,387	\$ 340,877	149.4343%	58.9878%

* The amounts presented were determined as of the plan's measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

**CITY OF CALVERY CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS***

Year Ended June 30	Contractually required pension contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
<u>CERS Nonhazardous</u>					
2019	\$ 63,623	\$ 63,623	\$ -	\$ 1,209,560	5.2600%
2018	\$ 53,267	\$ 53,267	\$ -	\$ 1,117,897	4.7649%
2017	\$ 53,898	\$ 53,898	\$ -	\$ 1,141,459	4.7219%
<u>CERS Hazardous</u>					
2019	\$ 44,576	\$ 44,576	\$ -	\$ 425,339	10.4801%
2018	\$ 40,415	\$ 40,415	\$ -	\$ 432,241	9.3501%
2017	\$ 31,802	\$ 31,802	\$ -	\$ 340,877	9.3295%

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

* The amounts presented were determined as of the City's fiscal year-end.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

Changes of Benefit Terms:

A cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumptions:

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 years, Closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Payroll growth rate	4.00%.
Investment Return	7.50%
Inflation	3.25%.
Single discount rate	5.85%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).
Healthcare trend rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

SUPPLEMENTAL INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds		Total Nonmajor Governmental Funds
	LGEA Coal Severance	Small Grants Fund	
ASSETS			
Cash - restricted	\$ 30,172	\$ -	\$ 30,172
Grant receivable	-	-	-
Total assets	<u>\$ 30,172</u>	<u>\$ -</u>	<u>\$ 30,172</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted:			
Program purposes	30,172	-	30,172
Total liabilities and fund balances	<u>\$ 30,172</u>	<u>\$ -</u>	<u>\$ 30,172</u>

See auditors report on pages 1-2.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues,
Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds		Total Nonmajor Governmental Funds
	LGEA Coal Severance	Small Grants Fund	
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Grant revenue	-	-	-
Interest income	247	-	247
Total revenues	<u>247</u>	<u>-</u>	<u>247</u>
EXPENDITURES			
Current:			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247</u>	<u>-</u>	<u>247</u>
Net change in fund balances	247	-	247
Fund balances - beginning	<u>29,925</u>	<u>-</u>	<u>29,925</u>
Fund balances - ending	<u>\$ 30,172</u>	<u>\$ -</u>	<u>\$ 30,172</u>

See auditors report on pages 1-2.



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

Honorable Lynn Jones
Members of the City Council
City of Calvert City
Calvert City, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Calvert City, Kentucky's basic financial statements, and have issued our report thereon dated May 8, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kemper CPA Group, LLP

Paducah, Kentucky
May 8, 2020