

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

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

YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, the respective budgetary comparison for the General Fund and the Special Revenue Municipal Aid Fund on pages 41-42, and pension and other post-employment benefits schedules on pages 43-46 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.

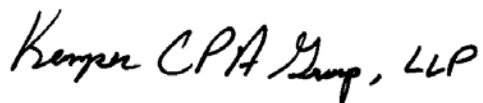
Other Information

The combining and individual nonmajor fund financial statements on pages 47-48 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 June 29, 2021, 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.

Handwritten signature in black ink that reads "Kemper CPA Group, LLP".

Paducah, Kentucky
June 29, 2021

REQUIRED SUPPLEMENTARY INFORMATION

CALVERT CITY, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2020

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 12-49) provided to fully understand the fiscal status of the City of Calvert City on June 30, 2020 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, 2020 by \$32,257,144. Of this amount, \$4,201,843 is unrestricted and therefore available to meet the City's continuing obligations.

The total net assets of the City increased by \$471,639 from June 30, 2019 to June 30, 2020.

As of June 30, 2020 the City's combined ending fund balances was \$9,236,075, a decrease of \$21,546 from the end of the previous year. Of this amount, \$5,764,088 of these funds was unassigned and available for current expenditures.

The unassigned fund balance of the general fund represents 144% percent of the total 2020 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.

(Continued on next page)

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 11-12 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 21-41 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	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 9,513,205	\$10,030,118	\$ 1,018,861	\$ 1,473,788	\$ 10,532,066	\$ 11,503,906
Non-current assets	15,855,424	14,926,294	13,302,479	12,788,130	29,157,903	27,714,424
Total Assets	25,368,629	24,956,412	14,321,340	14,261,918	39,689,969	39,218,330
Deferred Outflows of Resources	1,572,965	1,472,571	341,967	261,819	1,914,932	1,734,390
Liabilities:						
Current liabilities	375,844	839,419	356,178	368,143	732,022	1,207,562
Non-current liabilities	5,499,717	4,815,738	2,468,841	2,406,752	7,968,558	7,222,490
Total Liabilities	5,875,561	5,655,157	2,825,019	2,774,895	8,700,580	8,430,052
Deferred Inflows of Resources	521,784	437,218	125,393	108,071	647,177	545,289
Net assets:						
Invested in capital assets, net of related debt	15,855,424	14,926,294	11,950,850	11,459,756	27,806,274	26,386,050
Restricted net assets	186,366	554,193	62,661	61,464	249,027	615,657
Unrestricted net assets	4,502,459	4,856,121	(300,616)	119,551	4,201,843	4,975,672
Total net assets	\$20,544,249	\$20,336,608	\$11,712,895	\$11,640,771	\$ 32,257,144	\$ 31,977,379

As of June 30, 2020, the City had assets greater than its liabilities of \$32,257,144, an increase of \$279,765 from the previous year. The City's governmental activities accounted for \$207,641 of the increase in net position. The business-type activity accounted for \$72,124 of the remainder of the increase.

The majority of the City's net assets (86%) are invested in capital assets (streets, drainage, buildings, equipment, water and sewer system, etc.). Restrictions for special purpose are imposed upon 1% of the net assets. Unrestricted assets available for general expenditures account for 13% 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 134,493	\$ 134,163	\$ 1,929,560	\$ 2,007,560	\$ 2,064,053	\$ 2,141,723
Operating grants and contributions	48,896	47,188	-	-	48,896	47,188
Capital grants and contributions	723,775	16,809	9,644	122,866	733,419	139,675
General revenues:						
Property taxes	1,335,769	1,182,602	-	-	1,335,769	1,182,602
Payroll taxes	1,457,770	1,484,408	-	-	1,457,770	1,484,408
Other taxes	1,122,145	1,107,317	-	-	1,122,145	1,107,317
License, permits and fees	411,872	362,705	-	-	411,872	362,705
Other revenue	145,839	133,218	14,302	14,877	160,141	148,095
Dissolution of Marshall County/Calvert City Riverport	-	937,548	-	-	-	937,548
Total revenue	5,380,559	5,405,958	1,953,506	2,145,303	7,334,065	7,551,261
Expenses						
General government	1,452,351	1,050,761	-	-	1,452,351	1,050,761
Public safety	1,696,265	1,672,240	-	-	1,696,265	1,672,240
Sanitation	312,676	316,239	-	-	312,676	316,239
Highways and streets	1,005,216	1,019,134	-	-	1,005,216	1,019,134
Parks and recreation	547,195	576,681	-	-	547,195	576,681
Airport	42,725	36,467	-	-	42,725	36,467
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,997,872	2,336,374	1,997,872	2,336,374
Total expense	5,056,428	4,671,522	1,997,872	2,336,374	7,054,300	7,007,896
Increase in net assets before transfers	324,131	734,436	(44,366)	(191,071)	279,765	543,365
Transfers	(116,490)	(100,000)	116,490	100,000	-	-
Increase or (decrease) in net assets	207,641	634,436	72,124	(91,071)	279,765	543,365
Net assets - beginning as restated	20,336,608	19,702,172	11,640,771	11,731,842	31,977,379	31,434,014
Net assets - end of year	\$20,544,249	\$20,336,608	\$11,712,895	\$11,640,771	\$ 32,257,144	\$ 31,977,379

Revenues

Normally, the City's governmental revenues are primarily from the collection of various taxes. During the fiscal year ended June 30, 2020 the major sources of revenues are: Personal and real property taxes - 27%; Payroll taxes - 21 %; Franchise and Insurance Premium taxes - 20%. 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 - 99%, and grants and other revenues - 1%

Expenditures

The costs of all governmental activities were \$5 million. The Statement of Activities shows that \$134 thousand was financed by those who use the services; \$770 thousand was financed by grants and contributions with the city's general revenues financing \$4.15 million.

Approximately 96% of the total costs (expenses) of \$2 million of the business-type activities were financed by charges for services.

General Fund Budgetary Highlights

The City's total revenues were \$423 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 \$54 thousand more than budgeted.

Capital Assets and Debt Administration

The City's investments in capital assets as of June 30, 2020 for its governmental activities were \$15.9 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,923	\$ 4,878	\$ 283	\$ 283	\$ 5,206	\$ 5,161
Construction in progress	1,831	1,338	1,354	394	3,185	1,732
Infrastructure and land improvements	6,533	5,984			6,533	5,984
Water and sewer system			11,439	11,864	11,439	11,864
Buildings and improvements	1,434	1,505			1,434	1,505
Vehicles	343	414	62	84	405	498
General equipment and furnishings	791	807	164	163	955	970
	<u>\$ 15,855</u>	<u>\$ 14,926</u>	<u>\$ 13,302</u>	<u>\$ 12,788</u>	<u>\$ 29,157</u>	<u>\$ 27,714</u>

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

Land	\$ 45	\$ 80	\$ -	\$ -	\$ 45	\$ 80
Infrastructure and land improvements	1,383	1,262			1,383	1,262
Water and sewer system			960	797	960	797
Buildings and improvements	-	-			-	-
Vehicles	26	76	-	-	26	76
General equipment and furnishings	130	72	34	30	164	102
	<u>\$ 1,584</u>	<u>\$ 1,490</u>	<u>\$ 994</u>	<u>\$ 827</u>	<u>\$ 2,578</u>	<u>\$ 2,317</u>

At year end, the City had \$180,000 of leases payable and \$1,171,630 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 29-31 of the report.

Future Operations

Since 2014, Calvert City has responded 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 by both the State and the City. The State's portion is now complete and includes the interchange reconfiguration for I-69 and constructing a boulevard and a multiuse trail, which runs along the southside of U.S. Highway 62 from Truck Plaza Lane to just past Airport Road in the state park. The City has completed its second segment which runs from Old Park along the north side of East 5th Avenue to Lone Valley Road. The third and final segment which will connect the City to the State turns southward on the east side of Lone Valley Road and will connect 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 granted for up to \$550,000 for the multi-use trail. The COVID-19 pandemic has slowed the progress of the final phase, but it is still progressing.

The City, in a lease agreement with the Kentucky Department of Parks has assumed operational and managerial control of the Kentucky Dam State Park Airport. The City and the Kentucky Department of Aviation have worked together to begin upgrades to the Kentucky Dam State Park Airport. Currently two five-thousand-gallon fuel tanks are being installed to allow for the sale of aviation fuels (100LL and Jet A) at the airport. The City has begun remodeling the terminal. The City is also working with the state to install two (2) new eight (8) unit hangars. This will be a shared cost project with the State funding the concrete and asphalt and the City funding the hangars. Revenue from hangar rent will go to pay the debt of the hangars and to provide maintenance as needed. Another project to be funded by the State is the resurfacing of the runway. The airport was decertified two years ago because of its lack of based aircraft, but the number of aircraft based at the airport is now adequate to recertify it this year. 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 Old Park and Memorial 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. Currently the City is working on upgrading and remodeling the Civic Center. The Civic Center parking lot was enlarged to accommodate approximately 100 vehicles last year. New grading and paving of the Parking lot at the Civic Center are under construction.

The city's workforce continues to enhance its personnel's capabilities through specialized training. Qualified employees help to ensure 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 ensure 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 ensure 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 pumper for the Fire Department, a vehicle for City Hall and a patrol car for the Police Department.

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 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.

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

BASIC FINANCIAL STATEMENTS

CITY OF CALVERT CITY, KENTUCKY
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,850,937	\$ 1,162,929	\$ 9,013,866
Receivables (net)	926,385	256,839	1,183,224
Internal balances	423,899	(423,899)	-
Investments	250,000	-	250,000
Prepaid expenses	61,509	21,158	82,667
Other current assets	475	1,834	2,309
Total current assets	<u>9,513,205</u>	<u>1,018,861</u>	<u>10,532,066</u>
Non-current assets:			
Capital assets, not being depreciated	6,754,373	1,637,061	8,391,434
Capital assets, net of accumulated depreciation	9,101,051	11,665,418	20,766,469
Total non-current assets	<u>15,855,424</u>	<u>13,302,479</u>	<u>29,157,903</u>
Total Assets	<u>25,368,629</u>	<u>14,321,340</u>	<u>39,689,969</u>
Deferred Outflows of Resources:			
Deferred pension related outflows	1,070,712	234,781	1,305,493
Deferred other post-employment benefits outflows	502,253	107,186	609,439
Total deferred outflows of resources	<u>1,572,965</u>	<u>341,967</u>	<u>1,914,932</u>
LIABILITIES			
Current liabilities:			
Accounts payable	180,539	70,563	251,102
Accrued payroll	39,771	7,758	47,529
Accrued compensated leave and other accrued expenses	155,534	96,614	252,148
Current maturities of notes payable	-	61,243	61,243
Current maturities of lease payable	-	120,000	120,000
Total current liabilities	<u>375,844</u>	<u>356,178</u>	<u>732,022</u>
Noncurrent liabilities:			
Accrued compensated leave	2,919	464	3,383
Pension obligations	4,387,971	1,047,535	5,435,506
Other post-employment benefit obligations	1,108,327	250,455	1,358,782
Lease payable	-	60,000	60,000
Notes payable	-	1,110,387	1,110,387
Unearned revenues	500	-	500
Total non-current liabilities	<u>5,499,717</u>	<u>2,468,841</u>	<u>7,968,558</u>
Total Liabilities	<u>5,875,561</u>	<u>2,825,019</u>	<u>8,700,580</u>
Deferred Inflows of Resources			
Deferred pension related inflows	163,126	32,215	195,341
Deferred other post-employment benefits inflows	358,658	93,178	451,836
Total deferred inflows of resources	<u>521,784</u>	<u>125,393</u>	<u>647,177</u>
NET POSITION			
Net invested in capital assets	15,855,424	11,950,850	27,806,274
Restricted for:			
Special revenue	186,366	-	186,366
Capital projects	-	40,500	40,500
Debt service	-	22,161	22,161
Unrestricted	4,502,459	(300,616)	4,201,843
TOTAL NET POSITION	<u>\$ 20,544,249</u>	<u>\$ 11,712,895</u>	<u>\$ 32,257,144</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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,452,351	\$ -	\$ -	\$ 179,910	\$ (1,272,441)	\$ -	\$ (1,272,441)
Public safety	1,696,265	-	48,896	-	(1,647,369)	-	(1,647,369)
Sanitation	312,676	109,468	-	-	(203,208)	-	(203,208)
Highways and streets	1,005,216	-	-	-	(1,005,216)	-	(1,005,216)
Parks and recreation	547,195	15,125	-	-	(532,070)	-	(532,070)
Airport	42,725	9,900	-	543,865	511,040	-	511,040
Total governmental activities	5,056,428	134,493	48,896	723,775	(4,149,264)	-	(4,149,264)
Business-type activities:							
Public water and sewer	1,997,872	1,929,560	-	9,644	-	(58,668)	(58,668)
Total primary activities	<u>\$ 7,054,300</u>	<u>\$ 2,064,053</u>	<u>\$ 48,896</u>	<u>\$ 733,419</u>	<u>(4,149,264)</u>	<u>(58,668)</u>	<u>(4,207,932)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,147,353	-	1,147,353
Taxes, levied for bank deposits					20,992	-	20,992
Personal property					93,866	-	93,866
Omitted tangibles					65,193	-	65,193
Payments in lieu of taxes					8,365	-	8,365
Payroll taxes					1,457,770	-	1,457,770
Insurance premiums tax					1,064,004	-	1,064,004
Franchise taxes					58,141	-	58,141
License, permits and fees					411,872	-	411,872
Intergovernmental					50,931	-	50,931
Miscellaneous					21,378	4,547	25,925
Interest and investment earnings					73,530	9,755	83,285
Transfers					(116,490)	116,490	-
Total general revenues, special items, and transfers					<u>4,356,905</u>	<u>130,792</u>	<u>4,487,697</u>
Change in net position					207,641	72,124	279,765
Net position - beginning					<u>20,336,608</u>	<u>11,640,771</u>	<u>31,977,379</u>
Net position - ending					<u>\$ 20,544,249</u>	<u>\$ 11,712,895</u>	<u>\$ 32,257,144</u>

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

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Governmental Funds
June 30, 2020

			<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Construction</u>	<u>Municipal</u>	<u>Non-Major</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Aid Fund</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash	\$ 5,092,678	\$ 2,571,893	\$ -	\$ -	\$ 7,664,571
Cash - restricted	-	-	155,914	30,452	186,366
Receivables					
Property and franchise tax	12,353	-	-	-	12,353
Payroll and insurance tax	731,056	-	-	-	731,056
Grants and other	179,910	-	-	-	179,910
Other	3,066	-	-	-	3,066
Due from other funds	429,174	-	-	-	429,174
Investments	250,000	-	-	-	250,000
Prepaid expenses	61,509	-	-	-	61,509
Restricted membership and security deposits	475	-	-	-	475
Total assets	<u>\$ 6,760,221</u>	<u>\$ 2,571,893</u>	<u>\$ 155,914</u>	<u>\$ 30,452</u>	<u>\$ 9,518,480</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 180,539	\$ -	\$ -	\$ -	\$ 180,539
Unearned revenues	500	-	-	-	500
Due to other funds	5,275	-	-	-	5,275
Other accrued expenses	56,320	-	-	-	56,320
Accrued payroll	39,771	-	-	-	39,771
Total liabilities	<u>282,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,405</u>
Fund balances:					
Nonspendable	61,984	-	-	-	61,984
Restricted	-	-	155,914	30,452	186,366
Committed	-	2,571,893	-	-	2,571,893
Assigned	651,744	-	-	-	651,744
Unassigned	5,764,088	-	-	-	5,764,088
Total fund balances	<u>6,477,816</u>	<u>2,571,893</u>	<u>155,914</u>	<u>30,452</u>	<u>9,236,075</u>
Total liabilities and fund balances	<u>\$ 6,760,221</u>	<u>\$ 2,571,893</u>	<u>\$ 155,914</u>	<u>\$ 30,452</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.	15,855,424
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(102,133)
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.	(3,480,385)
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.	(964,732)
Net position of governmental activities	<u>\$ 20,544,249</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, 2020

	Special Revenue Funds				Total Governmental Funds
	General Fund	Construction Fund	Municipal Aid Fund	Non-Major Governmental Funds	
REVENUES					
Taxes	\$ 3,915,684	\$ -	\$ -	\$ -	\$ 3,915,684
Licenses and permits	411,872	-	-	-	411,872
Intergovernmental	-	-	50,931	-	50,931
Charges for services	134,493	-	-	-	134,493
Fines and forfeitures	4,883	-	-	-	4,883
Grants	294,265	478,406	-	-	772,671
Interest	69,381	-	3,869	280	73,530
Other	16,495	-	-	-	16,495
Total revenues	<u>4,847,073</u>	<u>478,406</u>	<u>54,800</u>	<u>280</u>	<u>5,380,559</u>
EXPENDITURES					
Current:					
General government	1,003,499	-	-	-	1,003,499
Public safety	1,303,794	-	-	-	1,303,794
Sanitation	281,950	-	-	-	281,950
Highways and streets	878,525	-	-	-	878,525
Parks and recreation	477,153	-	-	-	477,153
Airport	44,708	-	-	-	44,708
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	960,441	335,545	-	1,295,986
Total expenditures	<u>3,989,629</u>	<u>960,441</u>	<u>335,545</u>	<u>-</u>	<u>5,285,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>857,444</u>	<u>(482,035)</u>	<u>(280,745)</u>	<u>280</u>	<u>94,944</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-				-
Proceeds from sale of capital assets					-
Transfers in	87,362	1,462,016	-	-	1,549,378
Transfers out	(1,578,506)	-	(87,362)	-	(1,665,868)
Total other financing sources (uses)	<u>(1,491,144)</u>	<u>1,462,016</u>	<u>(87,362)</u>	<u>-</u>	<u>(116,490)</u>
Net change in fund balances	(633,700)	979,981	(368,107)	280	(21,546)
Fund balances - beginning	<u>7,111,516</u>	<u>1,591,912</u>	<u>524,021</u>	<u>30,172</u>	<u>9,257,621</u>
Fund balances - ending	<u>\$ 6,477,816</u>	<u>\$ 2,571,893</u>	<u>\$ 155,914</u>	<u>\$ 30,452</u>	<u>\$ 9,236,075</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, 2020

Net change in fund balances - total governmental funds	\$ (21,546)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlay of \$1,668,931 exceeded depreciation of \$739,801 in the current period.	929,130
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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.	(20,198)
--	----------

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.	(601,185)
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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>(78,560)</u>
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Change in net position of governmental activities	<u><u>\$ 207,641</u></u>
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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 NET POSITION
PROPRIETARY FUND
June 30, 2020

ASSETS

Current Assets

Cash	\$ 1,162,929
Accounts receivable - customers	251,225
Other receivable	5,614
Due from the City of Calvert City	5,275
Prepaid expenses	21,158
Utility deposits	1,834
Total Current Assets	1,448,035

Noncurrent Assets

Capital assets, not being depreciated	1,637,061
Capital assets, being depreciated, net	11,665,418
Total Noncurrent Assets	13,302,479

Total Assets	14,750,514
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Deferred Outflows of Resources:

Deferred pension related outflows	234,781
Deferred other post-employment benefits outflows	107,186
Total deferred outflows of resources	341,967

LIABILITIES

Current Liabilities

Accounts payable	70,563
Accrued wages	7,758
Accrued interest	4,189
Other accrued expenses	58,109
Due to the City of Calvert City	429,174
Current maturities of notes payable	61,243
Current maturities of lease payable	120,000
Customer deposits	34,316
Total Current Liabilities	785,352

Non-Current Liabilities

Accrued compensated leave	464
Pension obligations	1,047,535
Other post-employment benefit obligations	250,455
Notes payable	1,110,387
Lease payable	60,000
Total Noncurrent Liabilities	2,468,841

Deferred Inflows of Resources

Deferred pension related inflows	32,215
Deferred other post-employment benefits inflows	93,178
Total deferred inflows of resources	125,393

NET POSITION

Net invested in capital assets	11,950,850
Restricted for:	
Capital projects	40,500
Debt service	22,161
Unrestricted - net position	(300,616)

TOTAL NET POSITION	\$ 11,712,895
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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, 2020

Operating Revenues

Water and sewer usage fees, net	\$ 1,908,373
Hydrant fees	245
Disconnect fees	6,335
Customer penalties	14,607
	<u>1,929,560</u>

Operating Expenses

Salaries and wages	424,262
Payroll taxes	32,579
Employee benefits	242,127
Contractual services	135,868
Audit and legal	23,675
Operating supplies	93,442
Training	2,748
Utilities	213,439
Communications	12,048
Maintenance	115,288
Insurance	48,464
Transportation and travel	12,291
Office supplies	10,413
Miscellaneous	35,898
Bad debts	1,364
Depreciation	548,505
	<u>1,952,411</u>

Operating income

(22,851)

Non-operating Revenues (Expenses)

Interest expense	(41,251)
Service fees	(4,210)
Interest income	9,755
Miscellaneous revenue (expense)	497
Rental income	4,050
Grant revenue	-
Total nonoperating revenue (expenses)	<u>(31,159)</u>

Income before Contributions and Transfers

(54,010)

Contributions - tap-on and assessment fees	9,644
Transfers from the City of Calvert City	100,000
Capital grant subsidized through the City of Calvert	16,490
Total transfers in (out)	<u>126,134</u>

Changes in net position

72,124

Total net position - beginning

11,640,771

Total net position - ending

\$ 11,712,895

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, 2020

CASH FLOW FROM OPERATING ACTIVITIES

Collections from customers	\$ 1,949,435
Cash paid to suppliers	(664,443)
Cash paid to employees	(690,042)
Other receipts	4,545

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

599,495

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

Capital expenditures	(1,060,811)
Contributed capital and transfers	126,134
Advances from the City of Calvert	414,814
Proceeds from debt issues	163,980
Principal payments on notes and bonds	(40,723)
Principal payments on capital lease	(100,000)
Interest payments on notes, bonds, and capital leases	(41,251)

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

(537,857)

CASH FLOW FROM INVESTING ACTIVITIES

Interest income	<u>9,755</u>
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**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

9,755

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

71,393

CASH, BEGINNING OF YEAR

1,091,536

CASH, END OF YEAR

\$ 1,162,929

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

Acquisition of equipment and improvements	\$ 1,062,854
Amount financed with prior year trade payables	(2,043)
Net cash paid for equipment and improvements	<u><u>\$ 1,060,811</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, 2020

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

Operating income	\$ (22,851)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	548,505
Non-operating revenues and expenses	337
Change in assets and liabilities:	
Accounts receivable	19,875
Other receivables	93,736
Other current assets	(1,807)
Accounts payable	(49,446)
Accrued interest and fees payable	(358)
Customer deposits	2,580
Pension obligation and related deferrals	20,723
Other current liabilities	(11,799)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 599,495</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, 2020.

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.

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.

**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 (Continued)

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.

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.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

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.

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.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

<u>Government Funds</u>		<u>Proprietary Funds</u>	
	<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		

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, 2020, the liability for accrued vacation and sick leave was \$102,133 for the City of Calvert City and \$40,944 for the Calvert City Municipal Water and Sewer System.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 represent 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 represent 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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020, the City's cash was in demand deposits. At year end, the carrying amount and the bank balance of the City's cash was \$8,100,937 and \$8,202,591, respectively. As of June 30, 2020, \$7,952,591 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, 2020, 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 \$1,162,929 and \$1,200,300, respectively. As of June 30, 2020, \$950,300 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;

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

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

Investment Policies (Continued)

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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

For the year ended June 30, 2020, the City's only investment was a certificate of deposit for \$250,000 maturing March 10, 2021 with a fair value hierarchy of Level 2.

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.

NOTE C – RECEIVABLES

Receivables, net of reserve, as of June 30, 2020 consist of the following:

<u>Description</u>	<u>Statement of Net Position</u>	<u>Governmental Funds</u>
Taxes:		
Franchise (general fund)	\$ 7,700	\$ 7,700
Payroll (general fund)	334,237	334,237
Insurance (general fund)	396,819	396,819
Bank Deposit (general fund)	830	830
Property (general fund)	4,653	4,653
Grants	179,910	179,910
Other (general fund)	2,236	2,236
Total	<u>\$ 926,385</u>	<u>\$ 926,385</u>

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

NOTE C – RECEIVABLES (Continued)

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, 2020 was \$87,261.

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, 2020 was \$1,547.

NOTE D – DUE TO/FROM BALANCES

During the fiscal year ending June 30, 2020, the City approved advances up to \$1,000,000 to the System for improvements. During the year, the System received advances of \$414,814. These advances are non-interest bearing and the System will reimburse the City \$5,000 per month beginning in October of 2020.

The summary of due to/from other funds as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Water & Sewer System	\$ 429,174
Municipal Water & Sewer System	General Fund	\$ 5,275

NOTE E – CAPITAL ASSETS

A summary of the capital asset activity for the fiscal year ended at June 30, 2020, was as follows:

<u>Governmental Funds</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Capital assets, not being depreciated:</u>					
Land	\$ 4,878,573	\$ 44,869	\$ -	\$ -	\$ 4,923,442
Construction in Progress	1,337,618	579,267	(85,954)	-	1,830,931
Total capital assets, not being depreciated:	<u>6,216,191</u>	<u>624,136</u>	<u>(85,954)</u>	<u>-</u>	<u>6,754,373</u>
<u>Capital assets, being depreciated:</u>					
Infrastructure and improvements	13,363,692	881,040	85,954	-	14,330,686
Buildings	2,208,956	8,339	-	-	2,217,295
Building improvements	774,861	-	-	-	774,861
Vehicles	2,242,614	25,581	-	-	2,268,195
General equipment and furnishings	2,596,741	129,835	-	-	2,726,576
Totals at historical cost	<u>21,186,864</u>	<u>1,044,895</u>	<u>85,954</u>	<u>-</u>	<u>22,317,613</u>
Less: Accumulated depreciation					
Infrastructure and improvements	7,379,294	417,980	-	-	7,797,274
Buildings	1,160,005	49,491	-	-	1,209,496
Building improvements	319,267	29,521	-	-	348,788
Vehicles	1,829,084	96,406	-	-	1,925,490
General equipment and furnishings	1,789,111	146,403	-	-	1,935,514
Total accumulated depreciation	<u>12,476,761</u>	<u>739,801</u>	<u>-</u>	<u>-</u>	<u>13,216,562</u>
Total capital assets, being depreciated, net:	<u>8,710,103</u>	<u>305,084</u>	<u>85,954</u>	<u>-</u>	<u>9,101,051</u>
Primary Government Activities					
Capital Assets – Net	<u>\$ 14,926,294</u>	<u>\$ 1,015,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,855,424</u>

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

NOTE E – CAPITAL ASSETS (Continued)

<u>Proprietary Fund</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 282,886	\$ -	\$ -	\$ 282,886
Construction in Progress	394,106	960,069	-	1,354,175
Total capital assets, not being depreciated:	<u>676,992</u>	<u>960,069</u>	<u>-</u>	<u>1,637,061</u>
<u>Capital assets, being depreciated:</u>				
Water and sewer system	20,942,989	68,749	-	21,011,738
Vehicles	324,443	-	-	324,443
Equipment	445,787	34,036	-	479,823
Totals at historical cost	<u>21,713,219</u>	<u>102,785</u>	<u>-</u>	<u>21,816,004</u>
Less: Accumulated depreciation				
Water and sewer system	9,079,282	493,372	-	9,572,655
Vehicles	240,024	22,483	-	262,506
Equipment	282,775	32,650	-	315,425
Total accumulated depreciation	<u>9,602,081</u>	<u>548,505</u>	<u>-</u>	<u>10,150,586</u>
Total capital assets, being depreciated, net:	<u>12,111,138</u>	<u>(445,720)</u>	<u>-</u>	<u>11,665,418</u>
Component Unit Activities				
Capital Assets – Net	<u>\$ 12,778,130</u>	<u>\$ 514,349</u>	<u>\$ -</u>	<u>\$ 13,302,479</u>

Depreciation expense, by function, was as follows:

General government	\$ 143,024
Public Safety	126,548
Sanitation	30,726
Parks and recreation	149,136
Highways and streets	289,353
Airport	1,014
	<u>\$ 739,801</u>
Water and Sewer System	<u>\$ 548,505</u>

NOTE F – CONSTRUCTION IN PROGRESS

The City of Calvert City had the following capital projects in process at June 30, 2020:

	<u>Cumulative Costs Incurred</u>
Shar-Cal Road upgrade	\$ 4,375
Multi-Use Walking Trail	1,260,287
Airport – Fuel Tanks	543,865
Airport – Leasehold Improvements	<u>22,404</u>
	<u>\$ 1,830,931</u>

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

NOTE F – CONSTRUCTION IN PROGRESS (Continued)

The Calvert City Municipal Water and Sewer System had the following capital projects in process at June 30, 2020:

	<u>Cumulative Costs Incurred</u>
Water Plant	\$ 83,581
Sludge Removal - Sewer	645,835
Sewer Lagoon	490,696
Sanitary Sewer – Phase IV Assessment	59,000
Well #6	21,775
Other Projects	<u>53,288</u>
	<u>\$ 1,354,175</u>

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

NOTE G - LONG-TERM DEBT

Proprietary 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, 2020, 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	\$ 180,000
Less current maturities	<u>120,000</u>
	<u>\$ 60,000</u>

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>
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>\$ 9,128</u>	<u>\$ 180,000</u>	<u>\$ 189,128</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.	\$ 294,905
Less current maturities	<u>22,999</u>
	<u>\$ 271,906</u>

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

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%.

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.	\$ 418,465
Less current maturities	<u>18,908</u>
	<u>\$ 399,557</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 an 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. As of June 30, 2020, the System has made draws in the amount of \$458,260. In August of 2020, the System made a final draw of \$12,028 for a total of \$470,288. The notes mature June 1, 2038 with semi-annual payments principal and interest accruing at 2.00%.

Notes payable consists of the following:

Kentucky Infrastructure Authority, dated December 1, 2018, with fixed interest rate of 2.00%, maturing June 1, 2040, collateralized by water and sewer system property.	\$ 470,288
Less current maturities	<u>19,336</u>
	<u>\$ 450,952</u>

The detail schedule of future principal and interest requirements 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>
2021	2.00%-3.00%	\$ 31,651	\$ 61,243	\$ 92,894
2022	2.00%-3.00%	29,971	62,851	92,822
2023	2.00%-3.00%	28,193	64,501	92,694
2024	2.00%-3.00%	26,368	66,197	92,565
2025	2.00%-3.00%	24,494	67,938	92,432
2026 - 2030	2.00%-3.00%	92,540	367,491	460,031
2031 - 2035	2.00%-3.00%	44,800	285,090	329,890
2036 - 2040	2.00%-3.00%	<u>11,575</u>	<u>208,348</u>	<u>219,923</u>
		<u>\$ 289,592</u>	<u>\$ 1,183,659</u>	<u>\$ 1,473,251</u>

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

NOTE H – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020, 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	\$ 3,712,339	\$ 916,623	\$ (240,991)	\$ 4,387,971	\$ -
OPEB obligation	1,088,386	108,378	(88,437)	1,108,327	-
Accumulated sick leave	<u>81,935</u>	<u>139,232</u>	<u>(119,034)</u>	<u>102,133</u>	<u>99,213</u>
Governmental activity Long-term liabilities	<u>\$ 4,882,660</u>	<u>\$1,164,233</u>	<u>\$ (448,462)</u>	<u>\$ 5,598,431</u>	<u>\$ 99,213</u>
Business-type activities:					
Bonds payable:					
Notes payable	\$ 1,048,374	\$ 163,980	\$ (40,724)	\$ 1,171,630	\$ 61,243
Capital leases	280,000	-	(100,000)	180,000	120,000
Pension obligation	940,321	168,153	(60,939)	1,047,535	-
OPEB obligation	274,120	-	(23,665)	250,455	-
Accumulated sick leave	<u>43,927</u>	<u>51,364</u>	<u>(54,347)</u>	<u>40,944</u>	<u>40,480</u>
Business-type activities Long-term liabilities	<u>\$ 2,314,762</u>	<u>\$ 530,500</u>	<u>\$ (258,521)</u>	<u>\$ 2,586,741</u>	<u>\$ 221,723</u>

NOTE I – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>
Governmental Activities				
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 240,991	\$ 310,745	\$ (240,991)	\$ 310,745
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	208,729	-	(31,346)	177,383
<i>Differences between expected and actual experience</i>	209,221	49,322	(111,527)	147,016
<i>Change of assumptions</i>	379,162	446,979	(390,573)	435,568
<i>Difference between projected and actuarial earnings</i>	-	-	-	-
<i>Pension related deferred outflows</i>	<u>\$ 1,038,103</u>	<u>\$ 807,046</u>	<u>\$ (774,437)</u>	<u>\$ 1,070,712</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 134,913	\$ -	\$ (48,287)	\$ 86,626
<i>Difference between expected and actual experience</i>	26,872	-	(17,048)	9,824
<i>Difference between expected and actuarial earnings</i>	43,179	54,029	(30,532)	66,676
<i>Pension related deferred inflows</i>	<u>\$ 204,964</u>	<u>\$ 54,029</u>	<u>\$ (95,867)</u>	<u>\$ 163,126</u>

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

	Balance July 1, 2019	Additions ...	Reductions....	Balance June 30, 2020
Governmental Activities				
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 88,437	\$ 98,920	\$ (88,437)	\$ 98,920
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	69,380	2,516	-	71,896
<i>Change of assumptions</i>	<u>276,651</u>	<u>175,930</u>	<u>(121,144)</u>	<u>331,437</u>
<i>OPEB related deferred outflows</i>	<u>\$ 434,468</u>	<u>\$ 277,366</u>	<u>\$ (209,581)</u>	<u>\$ 502,253</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 15,856	\$ 13,709	\$ -	\$ 29,565
<i>Differences between expected and actual experience</i>	124,191	210,767	(64,464)	270,494
<i>Change of assumptions</i>	2,750	-	(604)	2,146
<i>Difference between projected and actuarial earnings</i>	<u>89,457</u>	<u>-</u>	<u>(33,004)</u>	<u>56,453</u>
<i>OPEB related deferred inflows</i>	<u>\$ 232,254</u>	<u>\$ 224,476</u>	<u>\$ (98,072)</u>	<u>\$ 358,658</u>
Business-Type Activities				
Pensions				
Deferred pension contributions	\$ 60,939	\$ 71,998	\$ (60,939)	\$ 71,998
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,804	26,210	-	30,014
Differences between expected and actual experience	30,671	13,014	(16,938)	26,747
Change of assumptions	91,897	108,335	(94,210)	106,022
Difference between projected and actuarial earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pension related deferred outflows	<u>\$ 187,311</u>	<u>\$ 219,557</u>	<u>\$ (172,087)</u>	<u>\$ 234,781</u>
Deferred inflows of resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 23,488	\$ -	\$ (12,586)	\$ 10,902
Difference between projected and actual experience	13,764	-	(9,338)	4,426
Difference between projected and actuarial earnings	<u>11,275</u>	<u>24,343</u>	<u>(18,731)</u>	<u>16,887</u>
Pension related deferred inflows	<u>\$ 48,527</u>	<u>\$ 24,343</u>	<u>\$ (40,655)</u>	<u>\$ 32,215</u>
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 19,762	\$ 23,135	\$ (19,762)	\$ 23,135
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	9,939	-	\$ 9,939
<i>Change of assumptions</i>	<u>54,746</u>	<u>40,032</u>	<u>(20,666)</u>	<u>74,112</u>
<i>OPEB related deferred outflows</i>	<u>\$ 74,508</u>	<u>\$ 73,106</u>	<u>\$ (40,428)</u>	<u>\$ 107,186</u>
Deferred inflows of resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 8,085	\$ -	\$ (2,095)	\$ 5,990
Difference between expected and actual experience	31,945	60,203	(16,580)	75,568
Change of assumptions	633	-	(137)	496
Difference between projected and actuarial earnings	<u>18,881</u>	<u>-</u>	<u>(7,757)</u>	<u>11,124</u>
OPEB related deferred inflows	<u>\$ 59,544</u>	<u>\$ 60,203</u>	<u>\$ (26,569)</u>	<u>\$ 93,178</u>

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

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. 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/>.

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 19.30% for non-hazardous employees and 30.06% for hazardous employees for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability 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	\$ 3,372,486
City's hazardous proportionate share of the CERS net pension liability	<u>2,063,020</u>
Total CERS net pension liability associated with the City	<u>\$ 5,435,506</u>

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability 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, 2019, the City's non-hazardous proportion was 0.047952% and hazardous proportion was 0.07469%.

For the year ended June 30, 2020, the City recognized pension expense of \$1,027,403 related to CERS pension plans. At June 30, 2020, 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	\$ 86,110	\$ 14,250	\$ 87,653	\$ -
Changes in assumptions	341,334	-	200,256	-
Net difference between projected and actual earnings on pension plan investments	-	54,366	-	29,197
Changes in proportion and differences between City contributions and proportionate share of contributions	96,629	35,097	110,768	62,431
City contributions subsequent to the measurement date	<u>240,749</u>	<u>-</u>	<u>141,994</u>	<u>-</u>
Total	<u>\$ 764,822</u>	<u>\$ 103,713</u>	<u>\$ 540,671</u>	<u>\$ 91,628</u>

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

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

The City reported \$382,743 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, 2021. 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	
	<u>Non-Hazardous</u>	<u>Hazardous</u>
2021	\$ 249,744	\$ 213,418
2022	116,509	77,437
2023	50,250	14,334
2024	3,857	1,860

Actuarial assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Inflation	2.30%	2.30%
Projected salary increases	3.30%-10.30%	3.55%-19.05%
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 MP-2014 mortality improvement scale using a base year of 2019 for all active and retired employees and beneficiaries. The MP-2014 mortality improvement scale using a base year of 2019 set back four years for male and female 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, 2013 – June 30, 2018.

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 2013 through 2018, is outlined in a report dated April 18, 2018. 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.

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>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

NOTE J - EMPLOYEE RETIREMENT SYSTEM (Continued)

Discount rate - The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that 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	\$ 4,218,023	\$ 3,372,486	\$ 2,667,738
Hazardous' proportionate share of net pension liability	\$ 2,579,238	\$ 2,063,020	\$ 1,639,796

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.

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 and 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 4.76% of non-hazardous covered payroll and 9.52% of hazardous covered payroll for the fiscal years ended June 30, 2020.

At June 30, 2020, 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, 2019, 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, 2019, the City's non-hazardous proportion was 0.04794% and hazardous proportion was 0.07467%.

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	\$ 806,329
City's hazardous proportionate share of the CERS medical insurance liability	<u>552,453</u>
Total CERS medical insurance liability associated with the City	<u>\$ 1,358,782</u>

CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

For the year ended June 30, 2020, the City recognized non-hazardous and hazardous OPEB expense of \$89,926 and \$100,593, respectively. At June 30, 2020, 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	\$ -	\$ 243,288	\$ -	\$ 102,774
Changes in assumptions	238,600	1,596	166,949	1,046
Net difference between projected and actual earnings on pension plan investments	-	35,814	-	31,763
Changes in proportion and differences between City contributions and proportionate share of contributions	31,998	19,285	49,837	16,270
City contributions subsequent to the measurement date	<u>76,690</u>	<u>-</u>	<u>45,365</u>	<u>-</u>
Total	<u>\$ 347,288</u>	<u>\$ 299,983</u>	<u>\$ 262,151</u>	<u>\$ 151,853</u>

The City reported \$122,055 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, 2021. 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>
2021	\$ (4,511)	\$ 50,023
2022	(4,511)	20,637
2023	6,876	(5,378)
2024	(14,941)	(349)
2025	(11,139)	-
Thereafter	(1,159)	-

Actuarial assumptions – The total OPEB liability in the June 30, 2019 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	3.30%-19.05%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
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	3.13%
Discount Rate	5.68% and 5.69% for non-hazardous and hazardous

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

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

Mortality rates used for active members is PUB-2010 General (non-hazardous) and Public Safety (hazardous) Mortality Tables projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from the MP-2014 mortality scale using a base year of 2010 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>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% 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 5.68% for non-hazardous and 5.69% 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>
CERS			
Non-hazardous' proportionate share of net OPEB liability	\$ 1,080,149	\$ 806,329	\$ 580,720
Hazardous' proportionate share of net OPEB liability	\$ 770,784	\$ 552,453	\$ 375,232

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

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

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	\$ 599,671	\$ 806,329	\$ 1,056,927
Hazardous' proportionate share of net OPEB liability	\$ 384,405	\$ 552,453	\$ 757,463

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, 2020 was \$41,609.

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 \$725,801 of total revenue for the year ended June 30, 2020. 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, 2020, 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, 2020.

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 ensure 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.

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

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	\$ 100,000	Debt service subsidy and capital project
		<u>16,490</u>	Subsidized capital grant
		<u>\$ 116,490</u>	

NOTE Q - RESTRICTED NET POSITION

The following is a summary of restricted net position at June 30, 2020:

<u>Special Revenue Funds</u>		<u>Proprietary Fund</u>	
Street improvements	\$ 155,914	Capital projects	\$ 40,500
Coal severance	<u>30,452</u>	Debt service	<u>22,161</u>
	<u>\$ 186,366</u>		<u>\$ 62,661</u>

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, 2020, the City did not rebate any employee local payroll taxes under this program.

NOTE S – SUBSEQUENT EVENTS

In October of 2020, the City of Calvert entered into an agreement with Kentucky Rural Water Finance Corporation to issue \$400,000 of bonds bearing interest at 2.250% on behalf of the System for acquisition and installation of new meters. Management has evaluated subsequent events through June 29, 2021, the date which the financial statements were available to be issued.

Effect of COVID-19 Pandemic

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the City is likely to be determined by factors which are uncertain, unpredictable and outside of the control of the City. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

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, 2020

	Budgeted Amounts		Total	Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Taxes	\$ 3,408,500	\$ 3,652,500	\$ 3,915,684	\$ 263,184
Licenses and permits	414,700	441,000	411,872	(29,128)
Charges for services	127,000	128,000	134,493	6,493
Fines and forfeitures	2,700	4,000	4,883	883
Grants	497,000	131,700	294,265	162,565
Interest	55,840	55,800	69,381	13,581
Other	8,170	11,000	16,495	5,495
Total revenues	<u>4,513,910</u>	<u>4,424,000</u>	<u>4,847,073</u>	<u>423,073</u>
EXPENDITURES				
Current:				
General government	1,117,255	1,007,000	1,003,499	(3,501)
Public safety	1,479,850	1,367,900	1,303,794	(64,106)
Sanitation	311,700	280,000	281,950	1,950
Highway and streets	899,440	738,000	878,525	140,525
Parks and Cemetery	562,575	507,000	477,153	(29,847)
Airport	53,000	35,500	44,708	9,208
Total expenditures	<u>4,423,820</u>	<u>3,935,400</u>	<u>3,989,629</u>	<u>54,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,090</u>	<u>488,600</u>	<u>857,444</u>	<u>368,844</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	87,362	87,362
Transfers out	<u>(1,562,016)</u>	<u>(1,562,016)</u>	<u>(1,578,506)</u>	<u>(16,490)</u>
Total other financing sources (uses)	<u>(1,562,016)</u>	<u>(1,562,016)</u>	<u>(1,491,144)</u>	<u>70,872</u>
Net change in fund balances	(1,471,926)	(1,073,416)	(633,700)	439,716
Fund balances - beginning	<u>7,111,516</u>	<u>7,111,516</u>	<u>7,111,516</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,639,590</u>	<u>\$ 6,038,100</u>	<u>\$ 6,477,816</u>	<u>\$ 439,716</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, 2020

	Budgeted Amounts		Total	Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Intergovernmental	\$ 50,000	\$ 51,000	\$ 50,931	\$ (69)
Interest	-	2,820	3,869	1,049
Other	-	-	-	-
Total revenues	<u>50,000</u>	<u>53,820</u>	<u>54,800</u>	<u>980</u>
EXPENDITURES				
Capital outlay	<u>525,000</u>	<u>423,000</u>	<u>335,545</u>	<u>(87,455)</u>
Total expenditures	<u>525,000</u>	<u>423,000</u>	<u>335,545</u>	<u>(87,455)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(475,000)</u>	<u>(369,180)</u>	<u>(280,745)</u>	<u>88,435</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(87,362)</u>	<u>(87,362)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(87,362)</u>	<u>(87,362)</u>
Net change in fund balances	(475,000)	(369,180)	(368,107)	1,073
Fund balances - beginning	<u>524,021</u>	<u>524,021</u>	<u>524,021</u>	<u>-</u>
Fund balances - ending	<u>\$ 49,021</u>	<u>\$ 154,841</u>	<u>\$ 155,914</u>	<u>\$ 1,073</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*

<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 employee payroll</u>	<u>City's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CERS Nonhazardous</u>					
2020	0.0480%	\$ 3,372,486	\$ 1,209,560	278.8192%	50.4470%
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>					
2020	0.0747%	\$ 2,063,020	\$ 425,339	485.0296%	46.6327%
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***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contributions as a percentage of covered employee payroll
<u>CERS Nonhazardous</u>					
2020	\$ 240,750	\$ 240,750	\$ -	\$ 1,247,410	19.3000%
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>					
2020	\$ 141,994	\$ 141,994	\$ -	\$ 472,367	30.0601%
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%

* 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, 2019**

Changes of Benefit Terms:

None

Changes of assumptions:

The assumptions were updated as of result of an experience study for the three year period ending June 30, 2018.

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 2019.

The inflation rate is 2.30% for plan year 2019.

Projected salary increases of 3.30% - 11.50% for non-hazardous and 3.05% - 18.55% for hazardous.

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*

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 payroll	City's share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>CERS Nonhazardous</u>					
2020	0.0479%	\$ 806,329	\$ 1,209,560	66.6630%	60.4382%
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>					
2020	0.0747%	\$ 552,453	\$ 425,339	129.8853%	64.4396%
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 10 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>					
2020	\$ 59,377	\$ 59,377	\$ -	\$ 1,247,410	4.7600%
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>					
2020	\$ 44,969	\$ 44,969	\$ -	\$ 472,367	9.5199%
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.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2019:

Valuation date	June 30, 2017
Experience study	June 30, 2013 - 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years, Closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Payroll growth rate	2.00%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	5.68% and 5.69 for non-hazardous and hazardous; decrease from 5.85% and 5.97%.
Mortality	PUB-2010 General Mortality table for the Non-Hazardous Systems projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Healthcare trend rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.10% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

SUPPLEMENTAL INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS	LGEA Coal Severance	
Cash - restricted	\$ 30,452	\$ 30,452
Total assets	<u>30,452</u>	<u>30,452</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund balances:		
Restricted:		
Program purposes	30,452	30,452
Total liabilities and fund balances	<u><u>\$ 30,452</u></u>	<u><u>\$ 30,452</u></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, 2020

	Special Revenue Funds	Total Nonmajor Governmental Funds
	LGEA Coal Severance	
REVENUES		
Intergovernmental	\$ -	\$ -
Interest income	280	280
Total revenues	<u>280</u>	<u>280</u>
EXPENDITURES		
Current:		
Capital outlay	-	-
Total expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>280</u>	<u>280</u>
Net change in fund balances	280	280
Fund balances - beginning	<u>30,172</u>	<u>30,172</u>
Fund balances - ending	<u><u>\$ 30,452</u></u>	<u><u>\$ 30,452</u></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, 2020, 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 June 29, 2021

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
June 29, 2021