



Cloyd & Associates, PSC
Certified Public Accountants

CITY OF CORBIN
Corbin, Kentucky

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020
with
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Mayor and Commissioners
City of Corbin
Corbin, Kentucky

We have audited the accompanying financial statements of the governmental activities, each major fund, the Corbin Tourism Commission (an aggregately presented component unit), and the aggregate remaining fund information, as applicable, of the City of Corbin, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Corbin, Kentucky as listed in the table of contents. We did not audit the financial statements of the City Utilities Commission or the Corbin Public District Library, which are component units of the City of Corbin. Those financial statements were audited by other auditors but are presented with the government wide statements.

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 did not audit the financial statements of the City Utilities Commission or the Corbin Public Library District, which are component units of the City of Corbin, Kentucky. Those audits were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Basis for Qualified Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to include summarized information of most recent audited financial data for the City's legally separate discretely presented component units. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data of its component units. The City has not issued such reporting entity financial statements. Each component unit issues its own audited financial statements; therefore, the City presents only a summary of the component unit data in these financial statements as required. However, the City Utilities Commission and the Corbin Library District presents audited data as of December 31, 2019 and June 30, 2019 respectively, which are in compliance with statutes. In addition, the Corbin Library District is also reported on the cash basis of accounting and there is no statutory provision for a City or its component units to report on the cash basis of accounting. The difference between the presented amounts and the actual amounts, if any, as of June 30, 2020 cannot be determined because of the aforementioned issues. The primary government financial statements also include City Hall Public Corporation, a legally separate blended component unit.

Basis for Qualified Opinion on the Statement of Activities

Management has adopted GASB 68 *Accounting and Financial Reporting for Pensions* and GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. However, management has not adopted the proper methodology for determining the full effect of the GASB 68 implementation in relation to the Police and Firemen's Pension Fund. Management has determined the net pension liability related to the fund but has not implemented the proper methods for determining deferred inflows and deferred outflows, if any. In addition, the procedures used do not allow for determination of the pension expense in accordance to GASB 68. The amount by which this departure would affect the assets, fund balances, revenues, and expenses has not been determined. The Plan does not offer postemployment benefits.

Qualified Opinion

In our opinion, based on our audit and the reports of other auditors, except for the effects of the matters described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units and the "Basis for Qualified Opinion on the Statement of Activities" paragraph, the financial statements referred to above present fairly, in all material respects the financial position of the Governmental Activities of the City of Corbin, Kentucky as of June 30, 2020 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information, if applicable, for the primary government of the City of Corbin, 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.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules per the table of contents 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 and opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 27, 2020, on our consideration of City of Corbin, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Corbin, Kentucky's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

November 27, 2020
Corbin, KY

CITY OF CORBIN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2020

CITY OF CORBIN, KENTUCKY

As management of the City of Corbin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. The following information is related to the City's primary government and blended component unit only and does not include information concerning aggregately discretely presented component

FINANCIAL HIGHLIGHTS

- The City's ending cash balance was \$2,964,428, exclusive of pension trust funds, included \$32,108 in restricted cash with the balance unrestricted. The City also had \$49,127 of restricted accounts receivable in the ABC fund.. The prior year's cash balance was \$4,598,913 of which \$90,235 was restricted and remaining balance was unrestricted.
- The City's government wide combined net position decreased by \$2,688,306 in FY 2020 compared to the prior year. The governmental combined fund balance decreased by \$1,596,073 compared to the prior year.
- The general fund had approximately \$8.7 million in revenue, which primarily consisted of tax revenue, fees for services, regulatory fees, and intergovernmental revenue. There was an overall decrease, in the general fund balance of approximately \$1,385,889 which represents approximately a decrease 20% relative to the prior year. The Corbin Arena fund showed an overall decrease of \$258,915, which represents approximately a 16% decrease. The total overall decrease for governmental funds was \$1,596,073 or approximately 30% decrease in the fund balance between 2019 and 2020. The decrease appears to be due to increases in planned capital outlay, timing issues, and extra costs due to the pandemic.
- The City's total long-term liabilities increased by \$1,348,866 relative to 2019 primarily due fluctuation of current year pension and OPEB expense and some nominal additional borrowing. The ending long-term debt to balance was \$27,679,440 including the net pension and OPEB liabilities and accrued absences. There was no short-term debt balance at the end of the year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or

CITY OF CORBIN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2020

deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police department, fire protection, public works, recycling, building inspection, parks and recreation, main street, and special projects. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found as indicated in the table of contents.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to provide benefits for employees. The City has no proprietary funds. All other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found as indicated in the table of contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found as indicated in the table of contents..

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental assets exceeded liabilities by approximately \$14.6 million. The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

CITY OF CORBIN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2020

The City as a Whole

The following is a summary of the City's net assets:

	Governmental Activities		Total	
	2019	2020	2019	2020
Current and other assets	\$ 6,745,176	\$ 4,379,465	\$ 6,745,176	\$ 4,379,465
Capital assets, net of depreciation	34,881,647	35,076,779	34,881,647	35,076,779
Total Assets	41,626,823	39,456,244	41,626,823	39,456,244
Deferred outflows of resources	5,192,756	5,329,269	5,192,756	5,329,269
Current liabilities	2,161,287	1,382,050	2,161,287	1,382,050
Other liabilities	25,522,066	27,030,441	25,522,066	27,030,441
Total Liabilities	27,683,353	28,412,491	27,683,353	28,412,491
Deferred inflows of resources	1,759,017	1,684,119	655,000	1,684,119
Net assets				
Net investment in capital assets	27,483,624	27,908,964	27,483,624	27,908,964
Restricted	-	-	-	-
Unrestricted	(10,106,415)	(13,220,061)	(10,106,415)	(13,220,061)
Total Net Position	\$ 17,377,209	\$ 14,688,903	\$ 17,377,209	\$ 14,688,903

The following is a summary of the City's changes in net assets:

	Governmental Activities		Total	
	2019	2020	2019	2020
Revenues				
Program revenues				
Charges for services	\$ 3,653,433	\$ 2,938,073	\$ 3,653,433	\$ 2,938,073
Operating Grants & contributions	1,720,477	1,492,734	1,720,477	1,492,734
Capital Grants & contributions	-	68,600	-	68,600
General revenues				
Local taxes	5,378,019	5,378,783	5,378,019	5,378,783
Regulatory fees	464,135	584,900	464,135	584,900
Licenses and permits	267,152	256,153	267,152	256,153
Earnings on investments	42,473	39,484	42,473	39,484
Other	367,865	220,869	367,865	220,869
Total revenues	11,893,554	10,979,596	11,893,554	10,979,596
Expenses				
General government	1,059,733	1,080,466	1,059,733	1,080,466
Police department	2,085,771	2,889,506	2,085,771	2,889,506
Fire department	1,397,181	1,926,382	1,397,181	1,926,382
Public works	1,958,969	2,596,546	1,958,969	2,596,546
Recycling center	382,874	553,721	382,874	553,721
Building inspector	80,336	123,669	80,336	123,669
Parks and recreation	997,922	1,215,928	997,922	1,215,928
Special projects	102,519	541,144	102,519	541,144
Arena	2,824,161	2,259,873	2,824,161	2,259,873
Downtown main street	128,016	151,168	128,016	151,168
Interest on debt service	244,608	329,499	244,608	329,499
Total expenses	\$ 11,262,090	\$ 13,667,902	\$ 11,262,090	\$ 13,667,902
Increase/(Decrease) in net position	\$ 631,464	\$ (2,688,306)	\$ 631,464	\$ (2,688,306)

There has been some decrease in the overall financial position of the City since the prior year.

CITY OF CORBIN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2020

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for fiscal years 2019 and 2020:

	2019	2020
Revenues and other financing sources		
Tax and related revenue	\$ 6,194,154	\$ 5,963,683
Licenses and permits	267,152	256,153
Fees for services	3,467,383	2,823,876
Rent	186,050	114,197
Investments	42,473	39,484
Intergovernmental	1,720,477	1,561,334
Other	15,865	220,869
Debt issue	-	330,000
Total Revenue and other financing sources	11,893,554	11,309,596
Expenditures and other financing uses		
General government	896,147	974,302
Police department	2,193,090	2,525,330
Fire department	1,527,438	1,729,324
Public works	2,073,822	2,400,168
Recycling center	410,644	462,941
Building inspection	104,610	105,591
Parks and recreation	924,334	1,573,460
Special projects	102,519	541,144
Downtown main street	136,317	122,566
Arena	2,275,375	1,591,820
Debt service	882,324	879,023
Total expenditures and other financing uses	11,526,620	12,905,669
Net change in fund balance	\$ 366,934	\$ (1,596,073)

General Fund Revenue

The majority of revenue, net of debt, was derived from tax revenue (55% in 2019 and 61% in 2020). Fees for services made up 28% of revenue in 2019 and 20% in 2020. Intergovernmental income made up 13% of total revenues in 2019 and 10% in 2020. Interest income made up 0.23% of total revenues in 2019 and 0.45% in 2020.

BUDGETARY IMPLICATION

The City's fiscal year is July 1 - June 30; other programs, i.e., some federal programs operate on a different fiscal calendar, but are reflected in the City's overall budget. Significant events that may impact the finances include expected state budget deficits that may impact grant or other revenue. The City routinely attempts to keep expenditures to a minimum because of the anticipated revenue problems. The City's budget was not exceeded in the current year.

Questions regarding this report and any separately issued component unit reports should be directed to the Corbin City Clerk, Corbin, Kentucky, 40701.

CITY OF CORBIN, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government	Component Units		
	Governmental Activities	City Utilities Commission December 31, 2019	Corbin Public Library District June 30, 2019	Corbin Tourism and Convention Commission
ASSETS				
Cash and cash equivalents - unrestricted	\$ 2,932,320	\$ 2,267,072	\$ 594,305	\$ 449,095
Restricted cash and cash equivalents	32,108	360,025	408,494	-
Investments	-	1,301,155	-	-
Restricted investments	-	858,601	-	-
Taxes receivable:				
Restaurant tax	103,706	-	-	278,198
Insurance tax	450,510	-	-	-
Occupational tax	386,087	-	-	-
Other receivables (net of allowance for uncollectible accounts)	474,381	1,071,275	-	52,651
Unbilled accounts receivable -estimated	-	461,329	-	-
Due from component units	-	-	-	-
Prepaid expense	353	44,092	-	8,477
Security deposits	-	-	-	120
Bond Discount	-	-	29,045	-
Materials and supply inventory	-	471,994	-	-
Investment in fixed assets, net				
Non-depreciable	3,165,017	-	-	208,799
Depreciable	31,911,762	43,741,759	1,060,640	600,019
Total assets	39,456,244	50,577,302	2,092,484	1,597,359
Deferred outflows of resources				
Deferred outflows of resources - OPEB CERS	1,387,010	-	-	-
Deferred outflows of resources - Police and Fire Pension	809,140	-	-	-
Deferred outflows of resources - Pension CERS	3,106,676	-	-	-
Deferred outflows of resources created by debt refundings, net	26,443	-	-	-
	5,329,269	-	-	-
LIABILITIES				
Accounts payable	\$ 93,665	\$ 1,143,450	\$ -	\$ 5,350
Accrued expenses	130,214	-	1,056	11,281
Unearned revenue	356,465	-	-	-
Due to component units	104,370	-	-	-
Arena operations funding payable	-	-	-	368,448
Accrued compensated absences - current	19,700	57,747	-	-
Accrued interest	28,738	-	-	-
Current portion of notes and mortgages payable	-	1,388,014	-	-
Current portion of bond payable	-	-	44,288	-
Current portion of capital leases due	101,815	-	-	-
Current portion lease purchase agreements payable	547,083	-	-	-
Customer deposits/ water leak protection	-	1,140,475	-	-
Net OPEB Liability County Employees Retirement System	3,479,789	-	-	-
Net Pension Liability County Employees Retirement System	13,503,118	-	-	-
Net Pension Liability Police and Firefighters' Pension Fund	3,419,339	-	-	-
Long term portion of notes payable	-	7,668,360	-	-
Long-term portion of bond payable	-	-	1,315,712	-
Long-term portion of capital leases	378,916	-	-	-
Long-term portion of lease purchase agreements payable	6,140,001	-	-	-
Non-current portion of accrued compensated absences	109,278	-	-	-
Total liabilities	28,412,491	11,398,046	1,361,056	385,079
Deferred outflows of resources				
Deferred inflows of resources - OPEB CERS	1,061,127	-	-	-
Deferred inflows of resources - pension	622,992	-	-	-
	1,684,119	-	-	-
NET POSITION				
Net investment in capital assets	27,908,964	34,685,385	(299,360)	808,818
Restricted for:				
Operations	81,588	34,751	408,494	8,597
Capital expenditures	-	43,400	-	-
Unrestricted	(13,301,649)	4,415,720	622,294	394,865
Total net position	\$ 14,688,903	\$ 39,179,256	\$ 731,428	\$ 1,212,280

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

CITY OF CORBIN, KENTUCKY

STATEMENT OF ACTIVITIES
Year ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position									
FUNCTIONS/PROGRAMS	Program Revenues				Primary Government	Component units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	City Utilities Commission*	Corbin Public Library District**	Corbin Tourism and Convention Center	
Governmental activities									
General Government	\$ 1,080,466	\$ 91,296	\$ 23,304	\$ 5,000	\$ (960,866)				
Police Department	2,889,506	107,255	230,047	-	(2,552,204)				
Fire Department	1,926,382	14,270	106,424	29,850	(1,775,838)				
Public Works	2,596,546	1,569,032	173,370	-	(854,144)				
Recycling Center	553,721	42,717	-	-	(511,004)				
Building Inspection	123,669	15,614	-	-	(108,055)				
Parks and Recreation	1,215,928	76,094	10,000	13,750	(1,116,084)				
Special Projects	541,144	-	-	-	(541,144)				
Arena expenditures	2,259,873	1,021,795	659,188	-	(578,890)				
Downtown Main Street	151,168	-	-	20,000	(131,168)				
Interest on Long-Term Debt	329,499	-	-	-	(329,499)				
Total primary government	\$ 13,667,902	\$ 2,938,073	\$ 1,202,333	\$ 68,600	(9,458,896)				
Component Units									
City Utilities Commission	\$ 11,867,519	\$ 12,207,683	-	20,000		\$ 360,164	\$ -	\$ -	
Corbin Public Library District	384,106	15,349	93,171	-		-	(275,586)	-	
Corbin Tourism and Convention Center	1,166,790	-	14,146	-		-	-	(1,152,644)	
	<u>\$ 13,418,415</u>	<u>\$ 12,223,032</u>	<u>\$ 107,317</u>	<u>\$ 20,000</u>		<u>360,164</u>	<u>(275,586)</u>	<u>(1,152,644)</u>	
General revenues									
Taxes:									
Property					1,029,908	-	289,948	-	
Motor vehicle					120,016	-	-	-	
Occupational					2,323,122	-	-	-	
Municipal insurance					1,817,208	-	-	-	
Other					88,529	-	-	988,113	
Alcohol regulatory fees					584,900	-	-	-	
Municipal fees in lieu of taxes					290,401	-	-	-	
Licenses and permits					256,153	-	-	-	
Earnings on investments					39,484	45,810	11,319	216	
Gain/(loss) on sale of assets					-	4,285	-	-	
Transfers					-	(766,862)	-	-	
Other					220,869	-	12,505	54,147	
Total general revenues					<u>6,770,590</u>	<u>(716,767)</u>	<u>313,772</u>	<u>1,042,476</u>	
Net position, Beginning of Year					17,377,209	39,535,859	693,242	1,322,448	
Change in net position					<u>(2,688,306)</u>	<u>(356,603)</u>	<u>38,186</u>	<u>(110,168)</u>	
Net position as of June 30, 2020					<u>\$ 14,688,903</u>	<u>\$39,179,256</u>	<u>\$ 731,428</u>	<u>\$ 1,212,280</u>	

* As December 31, 2019. ** As of June 30, 2019

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

CITY OF CORBIN, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Corbin Arena Fund	ABC FUND	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 2,554,307	\$ 378,013	\$ -	\$ 2,932,320
Restricted cash and cash equivalents	32,108			32,108
Taxes receivable				
Restaurant tax	103,706	-	-	103,706
Insurance tax	450,510	-	-	450,510
Occupational tax	386,087	-	-	386,087
Other receivables (net of allowance for uncollectible accounts)	183,207	242,047	49,127	474,381
Prepaid expenses	353	-	-	353
Due from Arena Fund	2,018,788	-	-	2,018,788
Total assets	\$ 5,729,066	\$ 620,060	\$ 49,127	\$ 6,398,253
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 482	\$ 93,183	\$ -	\$ 93,665
Accrued expenses	130,214	-	-	130,214
Unearned revenue	-	356,465	-	356,465
Current portion of accrued compensated absences	19,700	-	-	19,700
Line of credit -short term loan	-	-	-	-
Due to General Fund	-	2,018,788	-	2,018,788
Due to Component Units	104,370	-	-	104,370
Total liabilities	254,766	2,468,436	-	2,723,202
Fund balances				
Nonspendable	353	-	-	353
Restricted	32,108	-	49,127	81,235
Committed	29,943	-	-	29,943
Assigned	-	-	-	-
Unassigned	5,411,896	(1,848,376)	-	3,563,520
Total fund balances	5,474,300	(1,848,376)	49,127	3,675,051
Total liabilities and fund balances	\$ 5,729,066	\$ 620,060	\$ 49,127	\$ 6,398,253

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

CITY OF CORBIN, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

June 30, 2020

Total fund balances - governmental funds	\$ 3,675,051
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The capital assets net of depreciation are:	35,076,779
Deferred outflows of resources are not presented in the governmental fund financial statements but are presented on the statement of net position.	5,329,269
Deferred inflows of resources are not presented in the governmental fund financial statements but are presented on the statement of net position.	(1,684,119)
Bonds payable, notes payable and leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net assets.	(7,167,815)
The net pension obligation is not expected to be paid from current economic resources and is not reported in the governmental funds balance sheet but is presented in the statement of net assets.	(16,922,457)
The net OPEB obligation is not expected to be paid from current economic resources and is not reported in the governmental funds balance sheet but is presented in the statement of net assets.	(3,479,789)
Long-term portion of accrued compensated absences is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net assets.	(109,278)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net assets.	<u>(28,738)</u>
Total net assets - governmental activities	<u>\$ 14,688,903</u>

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

CITY OF CORBIN, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended June 30, 2020

	General Fund	Corbin Arena Fund	ABC Fund	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 1,029,908	\$ -	\$ -	\$ 1,029,908
Motor vehicle	120,016	-	-	120,016
Occupational	2,323,122	-	-	2,323,122
Municipal insurance	1,817,208	-	-	1,817,208
Other	88,529	-	-	88,529
Alcohol regulatory fees and licenses		-	584,900	584,900
Revenue in lieu of tax	290,401	-	-	290,401
Licenses and permits	256,153	-	-	256,153
Intergovernmental revenues	611,745	659,188	-	1,270,933
Fees for services	1,824,981	998,895	-	2,823,876
Rent	91,297	22,900	-	114,197
Interest	39,097	273	114	39,484
Other	220,869	-	-	220,869
Total revenues	<u>8,713,326</u>	<u>1,681,256</u>	<u>585,014</u>	<u>10,979,596</u>
Expenditures				
General government	974,302	-	-	974,302
Police department	2,525,330	-	-	2,525,330
Fire department	1,729,324	-	-	1,729,324
Public works	2,400,168	-	-	2,400,168
Recycling center	462,941	-	-	462,941
Building inspection	105,591	-	-	105,591
Parks and Recreation	1,573,460	-	-	1,573,460
Special projects	541,144	-	-	541,144
Downtown Main street	122,566	-	-	122,566
Arena expenditures	-	1,591,820	-	1,591,820
Debt Service	140,601	738,422	-	879,023
Total expenditures	<u>10,575,427</u>	<u>2,330,242</u>	<u>-</u>	<u>12,905,669</u>
Excess (deficit) of revenues over (under) expenditures	(1,862,101)	(648,986)	585,014	(1,926,073)
Other financing sources (uses)				
Proceeds from debt	330,000	-	-	330,000
Transfer in/out	536,283	-	(536,283)	-
Transfer in/out	(390,071)	390,071	-	-
Total other financing sources (uses)	<u>476,212</u>	<u>390,071</u>	<u>(536,283)</u>	<u>330,000</u>
Net change in fund balance	(1,385,889)	(258,915)	48,731	(1,596,073)
Fund balances, July 1, 2019	<u>6,860,189</u>	<u>(1,589,461)</u>	<u>396</u>	<u>5,271,124</u>
Fund balances, June 30, 2020	<u>\$ 5,474,300</u>	<u>\$ (1,848,376)</u>	<u>\$ 49,127</u>	<u>\$ 3,675,051</u>

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

CITY OF CORBIN, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

Net change in total fund balances - governmental funds	\$ (1,596,073)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	195,131
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements but are reductions of liabilities in the statement of net position.	560,210
Issuance of bonds, notes, and leases payable are reported as other sources and uses in the governmental funds but are and increase in liabilities in payable in the current period, but they are presented in the statement of net assets.	(330,000)
Amortization of deferred outflow of resources from refunding bonds is not recognized on the governmental fund financial statements but is amortized on the government wide financial statements.	(3,556)
Accrued interest is recognized as an decrease in the net position in the governmental wide financial statements but is not recognized in the governmental fund financial statements	(10,686)
Changes in pension and OPEB expense are not recognized on the governmental fund statements because it is not expected to be satisfied with current economic resources, but it is recognized in the statement of activities.	(1,485,228)
The increase in accumulated vacation payable is not considered part of the current liability on the governmental fund financial statement but the full amount is expensed as incurred on the statement of activities	<u>(18,104)</u>
Change in net position - governmental activities	<u>\$ (2,688,306)</u>

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

CITY OF CORBIN, KENTUCKY

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2020

	Agency Funds	Pension Trust Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 745,825
Investments	-	1,102,099
Interest	-	927
Total Assets	-	1,848,851
LIABILITIES		
Due to agencies	-	-
Due to general fund	-	-
Total Liabilities	-	-
NET POSITION		
Held in trust for pension benefits	\$ -	\$ 1,848,851

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

CITY OF CORBIN, KENTUCKY

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITON
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

ADDITIONS

Tax revenue	\$ 503,986
Interest	30,451
Other	<u>70</u>
Total revenues	<u>534,507</u>

DEDUCTIONS

Benefits	301,291
Plan administration	<u>70</u>
Total expenditures	<u>301,361</u>

Increase/(Decrease) in net assets 233,146

Net Assets, July 1, 2019 1,615,705

Net Position , June 30, 2020 \$ 1,848,851

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

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The financial reporting entity

The City of Corbin, Kentucky is a home rule city under the laws of the Commonwealth of Kentucky and operates under a City Manager/Commission form of government. The City's major operations include public safety, fire protection, public works, recreation and parks, and general administrative services. As defined by accounting principles generally accepted in United States of America (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. To be complete, the financial statements of the reporting entity should include the primary government and its component units. The City has included a summary of the most recent audits of its component units in these primary government financial statements for the year ended June 30, 2020.

Based on the above criteria, the component units of the City are the Corbin Public Library District, Corbin City Hall Public Corporation, the City of Corbin Tourist and Convention Commission and the Corbin City Utilities Commission. Component units of the City, except the Corbin City Hall Public Corporation, issue separately audited Component Unit Financial Statements (CUFS). Copies of the CUFS may be obtained from the City Clerk at Corbin City Hall.

The Corbin City Hall Public Corporation is governed by a board that is substantially the same as the City Commission, the Corbin City Hall Public Corporation and the City have a financial benefit and burden relationship and management of the City has operational responsibility for the activities of the Corbin City Hall Public Corporation. Although it is legally separate from the City, it is reported as if it were part of the primary government. The activity of the Corbin City Hall Public Corporation is blended with the City's financial statements, specifically the General Fund..

Related organizations not determined to be component units include the Corbin Industrial Commission, Corbin City School City, and the Corbin Housing Authority. The reasons for their exclusion are summarized below.

Corbin Industrial Commission

The board is approved by the mayor and City commissioners, but there is no significant continuing relationship. The operation of the commission is the exclusive responsibility of the commission's management and the City has no authority to interfere with these operations or choose management. The commission is responsible for its own financial affairs, including the funding of deficits, funding debt, and the disposition of surpluses.

Corbin Housing Authority/Corbin School City

Neither the housing authority nor the school City meets any of the criteria for oversight responsibility from the City of Corbin.

All component units with the exception of City Hall Public Corporation issue separate audited financial statements which can be obtained for the City Clerk at City of Corbin City Hall

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic financial statements

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) generally report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities, if any, are shown in the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) Net investment in capital assets, 2) restricted, and 3) unrestricted, as appropriate. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings or related assets and liabilities that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or function. The City does not charge indirect expense to programs or functions. Interest on general long-term bonded debt is not allocated to the various functions, and interest on capital leases may be allocated to various functions. Program revenues include: 1) charges paid by the recipients of the goods, services, or privileges offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Part of the basic financial statements are fund financial statements for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City does not have any proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds.

The City reports the following governmental funds:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The activity of City Hall Public Corporation is blended with the general fund. This is a major fund.

Corbin Arena Fund – The Arena fund accounts for all the activity of the Arena including debt service. The Arena fund is considered a special revenue fund and major fund by the City.

ABC Fund – The ABC Fund accounts for alcohol regulatory fees and licenses revenue. All revenue is transferred to the City's general fund as management determines the revenue has been properly expensed. The City has mandated this to be a major fund.

Additionally, the City reports the following fund types:

Police and Firefighters' Pension Fund – The pension funds account for assets held on behalf of former City employees the Pension Fund is a fiduciary type fund.

Agency Funds – The agency funds account for tax revenue held or transferred by the City that is used to support the Corbin City School and the Corbin Library. By definition, the agency funds should net to zero and are not discretely presented.

C. Measurement focus and basis of accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, licenses, fees and permits, intergovernmental revenues charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have accumulated for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Debt proceeds and cost are reported as other financing sources.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to; 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. Cash and cash equivalents and investments

For purposes of the basic financial statements, the City considers cash and cash equivalents to be all demand deposits, all certificates of deposit, and highly liquid, short-term security investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Deposits (cash and investments) are carried at cost which approximates market value. The carrying amount of all deposits is separately displayed on the balance sheet depending on the terms of the deposit. Restricted cash and investments are separately displayed on the balance sheet.

The City of Corbin, Kentucky is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities;
2. Bonds or certificates of indebtedness of this state, its agencies, and Instrumentalities;
3. Shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured;
4. Interest bearing deposits in nationally chartered or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in large amounts provided such bank shall pledge as security obligations of the United States government, its agencies and instrumentalities. Investments are stated as cost or amortized cost, which approximates market.

E. Receivables

All trade receivables are shown net of an allowance for uncollectible accounts. As of June 30, 2020, receivables net of the allowance for uncollectible accounts, not including property tax, for governmental activities was \$183,207, \$242,047, and \$48,127 for the General, Arena and ABC funds, respectively. Grants are fully recognized as revenues when earned because the City expects to collect the amount in full within 60 days of earning the revenue.

F. Prepaid expenses

Certain prepayments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted assets

Certain grant proceeds, as well as funds set aside for the repayment of bonds or restricted by enabling legislation may be classified as restricted on the balance sheet and statement of net position, because they are maintained in separate bank accounts or their use is limited by applicable grant agreements or debt covenants.

H. Capital assets

Under Governmental Accounting Standards Board Statement No. 34 (GASB-34), all capital assets, whether owned by governmental activities or business-type activities, as applicable, are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds financial statements. The City generally considers assets with a cost of \$5,000 and useful lives in excess of one year or more to be a depreciable capital asset. Those presented as not depreciable include land and construction in progress.

At the implementation of GASB-34, the City was a Phase 3 government (governments with total annual revenues of less than \$10 million). Consequently, the City was not required by the provisions of GASB-34 to report major infrastructure assets retroactively. The City chose not to record infrastructure assets retroactively; however, as of July 1, 2003, all infrastructure asset additions and disposals are reported by the City in their related categories.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Major additions that are substantially a new asset are capitalized over the useful lives of that asset category as determined by the City's management.

Major outlays for capital assets and improvements are capitalized as the projects are constructed and put into use. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures, and improvements	5 to 50 years
Improvements other than buildings	10 to 50 years
Machinery and equipment	3 to 20 years

Capital assets transferred between funds or functions are transferred at their net book value (cost less accumulated depreciation), as of the date of transfer.

I. Lease obligations

The City may have various assets under capital lease agreements. In the government-wide financial statements, capital leases and the related lease obligations are reported as liabilities in the governmental activities of the statement of net assets.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred outflows related to bond refunding

Due to the adoption of GASB 63 and GASB 65 debt costs are no longer capitalized and amortized over the period of a loan. However, the difference of the reacquisition price and the carrying value of the old debt is capitalized and amortized over the shorter of the new or old debt remaining life. The amount is shown as a deferred outflow and amounted to \$26,443 at June 30, 2020.

K. Unearned revenues

Unearned revenues arise in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue may also arise, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City assumes all delinquent taxes to be uncollectible at the end of the year and does not present accounts receivable or deferred revenue in connection with taxes receivable. However, the City does attempt to collect all delinquent taxes.

L. Compensated absences

Compensated absences, vacation, and sick pay, for all City employees are paid by the City's general fund. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates. The current portion of accrued and compensated absences is determined by the City based on historical averages. Vested vacation and sick pay benefits are accrued when incurred.

M. Pension plans

Full-time City employees are members of the State of Kentucky County Employees' Retirement System (CERS). The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of June 30 of the prior fiscal year by the System's actuary. Former employees are also members of the Police and Firefighters' Pension Fund. The City funds the Police and Firefighters' Pension Fund through allocation of tax collections.

N. Other Postemployment Benefits (OPEB)

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

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund balances:

The Board has elected to adopt GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement substantially changed the terminology used to describe different component of the fund balance. Under this statement, the fund balance is separated into five categories as follows:

Nonspendable:	Funds permanently nonspendable by decree of donor, such as an endowment or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
Restricted:	Funds legally restricted under federal and state law, bond authority or grantor contract.
Committed:	Commitments passed by the Board for specific expenditures.
Assigned:	Funds assigned to management priority including issued encumbrances.
Unassigned:	Funds available for future operations.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

The City does not use encumbrance accounting.

P. Budgets and Budgetary accounting

The City follows procedures pursuant to KRS 91A.030 in establishing the budgetary data reflected in the financial statements as follows:

1. Prior to May 1 of each year, the Mayor submits to the Corbin City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between categories within each department; however, any revisions that alter the total expenditures of any fund must be approved by the Corbin City Commission.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Operating transfers required for debt service are accounted for in the budget of the City's general fund.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Budgets and Budgetary accounting (continued)

6. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Actual expenditures may not exceed the legally adopted budget for any given fund.
7. The budget for the fiscal year ending June 30, 2020 was amended during the year as in accordance with the law. The amendment was approved in the same manner as the original budget was adopted.

Q. Property taxes

Delinquent property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable in full by December 31. The City bills and collects its own property taxes. City property tax revenues are recorded as receivables and deferred revenue at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after the year-end. The City does not realize prior year delinquencies in the following year soon enough to make them available to meet current year expenditures, and fully reserves the uncollected balance at year's end as uncollectible. Since the net is zero they are not presented on the financial statements

R. Special projects

The City uses its General Fund, Arena Fund, and ABC Fund to account for all governmental activity. In lieu of establishing a special revenue fund for capital projects, the City reflects acquisition and significant construction activities financed by governmental grants or general governmental funds as "special projects" within the general fund. These may also include "flow through" projects for other organizations. These projects may or may not be depreciated. The City does not capitalize construction period interest in governmental funds.

S. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

T. Inventory

Inventory, if any, is reported at cost and pertains only to the Arena at the David L. Williams Southeastern Kentucky Agriculture and Exposition Complex. The City's primary government indicated there was no inventory at June 30, 2020.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2020, the carrying amount of the City's cash and cash equivalents was \$2,964,428 which includes cash held by City Hall Public Corporation but does not include other component units. The bank balance including certificates of deposit was \$3,859,648. The City also held \$1,847,924 for the Corbin Police and Firefighters' Pension Fund in cash and certificates of deposit. Of the total cash balance, excluding petty cash of \$2,040 and \$5,040 in the General Fund and Arena Fund respectively, the entire amount was covered by federal depository insurance and/or collateral agreements and collateral held by the pledging bank's trust department in the City's name. By state statute, and City policy, the City may deposit funds in state and nationally chartered banks which provide FDIC insurance and sufficient collateral to secure deposits in excess of FDIC coverage. Cash equivalents are considered to be demand deposits, certificates of deposit and highly liquid, short-term security investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Of the total cash balance exclusive of the Police & Firefighters' Pension Fund, \$32,108 is considered restricted and \$29,943 is considered committed. All Pension Fund cash is considered restricted. Restricted and committed cash is restricted by grant agreements, enabling legislation, or Commission action.

NOTE 3 - INVESTMENTS

City funds are considered to be public funds; therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2020, holds three long term certificates of deposit in agency for the City of Corbin Police and Firefighters' Pension Fund that do not bear material interest rate risk. The City holds one long-term certificate of deposit in the General Fund subject to interest rate risk; however, the City does not bear material investment related credit risk or interest rate risk. The City has not adopted a formal investment policy.

NOTE 4 – CONTINGENCIES

A. Pending and Threatened Litigation

A number of claims and suits are pending against the City for alleged damages to persons and/or property and for other alleged liabilities arising out of matters usually incident to the operation of a city such as Corbin. In the opinion of City management, the City has strong defenses against such claims, and thus the ultimate loss, if any, relating to these claims and suits not covered by insurance, will not materially affect the financial position of the City.

B. Short-term Line of Credit/ Short Term Loan

The City maintains a short-term line of credit totaling \$300,000. The purpose of the loan is to meet short-term commitments as needed. The total short-term borrowings during the year ended June 30, 2020 are outlined below:

Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
\$ -	\$ -	\$ -	\$ -

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

D. Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Dispositions	Balance June 30, 2020
Governmental activities				
Land	\$ 2,665,515		\$ -	\$ 2,665,515
Buildings and improvements	47,705,550		-	47,705,550
Improvements other than buildings	3,682,545	639,152	-	4,321,697
Equipment	6,637,068	356,994	-	6,994,062
Other	1,014,956		-	1,014,956
Construction in progress	-	499,503	-	499,503
	<u>61,705,634</u>	<u>1,495,649</u>	<u>-</u>	<u>63,201,283</u>
Less: Accumulated depreciation				
Buildings and improvements	17,527,453	899,765	-	18,427,218
Improvements other than buildings	1,769,758	128,106	-	1,897,864
Equipment	7,424,077	248,114	-	7,672,191
Other	102,698	24,533	-	127,231
Total accumulated depreciation	<u>26,823,986</u>	<u>1,300,518</u>	<u>-</u>	<u>28,124,504</u>
Governmental activities, net capital assets	<u>\$ 34,881,648</u>	<u>\$ 195,131</u>	<u>\$ -</u>	<u>\$ 35,076,779</u>

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 5 – CAPITAL ASSETS (continued)

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 276,045
Police department	118,865
Fire department	29,920
Public works	62,829
Corbin recycling center	11,503
Building Inspector	703
Parks and recreation	193,451
Downtown main street	11,781
Arena	595,421
	<u>\$ 1,300,518</u>

NOTE – 6 OPERATING LEASES

The City is obligated to several non-cancelable operating leases used to provide vehicles to various departments. The Current monthly rental payment including fees is \$10,840. At the end of the lease the City can purchase the vehicle, enter into a new lease, continue the lease on a month-to-month basis, or return the vehicle and pay or receive the difference on the of the FMV and the predetermined value as contracted. For these reasons, the city considers these to be operating leases. The current remaining non-cancelable leases at June 30, 2020 are:

FY	Rental Payments
2021	\$ 130,088
2022	110,459
2023	90,830
2024	30,807
2025	5,829
	<u>\$ 368,013</u>

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE – 7 LONG-TERM LIABILITIES

A General Obligation Leases- David L. Williams Southeastern Kentucky Agriculture-Exposition Complex (ARENA)

Refinancing Lease 2010- Arena and City Hall General Obligation Bonds

In November 2010, the City issued a General Obligation Capital Lease to refinance the City's 2000 General Obligation Bonds, and two previous Capital Leases associated with construction of the David L. Williams Arena. The total refinancing amount was \$6,975,000, which refinanced \$1,085,000 principal of the Series 2000 General Obligation Bonds and \$5,682,215 on Arena capital leases. In addition, there was \$207,785 in cost of issuance. The lease bears variable interest in range from 4.2% to 5.2%. The debt service is split between the General Fund and the Corbin Arena Fund on a pro rata basis. The bond maturities and interest as of June 30, 2020 are as follows:

Year ending June 30,	Principal Payment	Interest and Fees	Total
2021	\$ 397,083	\$ 130,311	\$ 527,394
2022	336,250	117,062	453,312
2023	349,168	104,934	454,102
2024	361,250	92,087	453,337
2025	376,250	77,908	454,158
2026	391,250	62,858	454,108
2027	405,250	46,792	452,042
2028	423,333	29,526	452,859
2029	254,748	11,222	265,970
	<u>\$ 3,294,582</u>	<u>\$ 672,701</u>	<u>\$ 3,967,283</u>

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE – 7 LONG-TERM LIABILITIES (continued)

A General Obligation Leases- David L. Williams Southeastern Kentucky Agriculture-Exposition Complex (ARENA) (continued)

Refinancing Lease 2012 - Arena

During the year ended June 30, 2012 the City entered into a current refunding of two previously refunded leases with a new capital lease based on bond series 2012A issued by the Kentucky Bond Corporation. Proceeds from the debt were \$4,550,000 which included \$4,387,037 to currently refund the existing lease and the balance to debt cost. The effective interest rate is 2.50% and 4.25%. Future principal and anticipated interest rates as of June 30, 2020 are:

Year ending June 30,	Principal Payment	Interest and Fees	Total
2021	\$ 150,000	\$ 143,144	\$ 293,144
2022	154,167	138,112	292,279
2023	162,083	132,633	294,716
2024	167,083	126,672	293,755
2025	172,084	120,406	292,490
2026	177,083	113,589	290,672
2027	184,167	106,062	290,229
2028	192,083	98,236	290,319
2029	199,167	90,071	289,238
2030	209,167	81,607	290,774
2031	219,167	72,718	291,885
2032	227,083	63,403	290,486
2033	236,251	53,512	289,763
2034	249,167	42,881	292,048
2035	259,167	31,669	290,836
2036	271,250	20,006	291,256
2037	163,333	7,613	170,946
	<u>\$ 3,392,502</u>	<u>\$ 1,442,334</u>	<u>\$ 4,834,836</u>

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (Continued)

B. Capital Lease Obligations

Street Sweeper – Branch Banking and Trust

The City entered into a long-term non-cancelable capital lease with the Branch Banking and Trust Company in the principal amount of \$231,476 during the fiscal year ended June 30, 2015 for the purchase of a street sweeper. The lease qualifies as a capital lease for accounting purposes as defined under the Financial Accounting Standards Board Topic ASC 840, *Leases* and therefore has been recorded at the present value of future minimum lease payments. The City will pay annual payments including an amount representing interest of 2.310% with the final payment due on August 6, 2020. The payments will be made through the City's general fund. The present value of lease payments at June 30, 2020 was \$83,514. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2020 are:

Fiscal Year Ended June 30,	Amount
2021	\$ 41,756
	41,756
Less amount representing interest	940
Present value of minimum lease payments	\$ 40,816

Peterbilt Roll off-TCF Equipment

The City entered into a long-term non-cancelable lease with TCF Equipment Finance in the principal amount of \$181,937 during the fiscal year ended June 30, 2018 for the purchase of a Peterbilt roll-off. The lease qualifies as a capital lease for accounting purposes as defined under the Financial Accounting Standards Board Topic ASC 840, *Leases* and therefore has been recorded at the present value of future minimum lease payments at the inception of the leases. The City will pay annual payments including an amount representing interest of 4.30% to TCF Equipment Finance with the final payment due on July 7, 2022. The payments will be made through the City's general fund. The present value of lease payments at June 30, 2020 was \$109,915. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2020 are:

Ended June 30,	Amount
2021	\$ 39,860
2022	39,860
2023	39,860
	119,580
Less amount representing interest	9,665
Present value of minimum lease payments	\$ 109,915

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (Continued)

B. Capital Lease Obligations

Rotary Park Lighting: Musco Finance, LLC

The City entered into a long-term non-cancelable lease with Musco Finance, LLC in the principal amount of \$330,000 during the fiscal year ended June 30, 2020 for the purchase lighting upgrades to Rotary Park.. The lease qualifies as a capital lease for accounting purposes as defined und the Financial Accounting Standards Board Topic ASC 840, *Leases* and therefore has been recorded at the present value of future minimum lease payments at the inception of the leases. The City will pay annual payments including an amount representing interest of 4.95% to Musco Finance, LLC with the final payment due on July 29, 2029. The payments will be made through the City's general fund. The present value of lease payments at June 30, 2020 was \$330,000 Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2020 are:

Fiscal Year Ended June 30,	Amount
2021	\$ 42,869
2022	42,869
2023	42,869
2024	42,869
2025	42,869
Thereafter	214,347
	428,692
Less amount representing interest	98,692
Present value of minimum lease payments	\$ 330,000

Changes in long-term liability for the year ended June 30, 2020 were as follows:

	June 30, 2019	Additions	Deductions	June 30, 2020
KLC Refinancing Lease Series 2012	\$ 3,539,585	\$ -	\$ 147,083	\$ 3,392,502
KLC Refinancing Lease Series 2010	3,733,749	-	439,167	3,294,582
Magnolia Police Car Lease	39,968	-	39,968	-
Branch Banking and Trust - Street Sweeper	80,709	-	39,893	40,816
TCF Equipment Finance	143,237	-	33,321	109,916
Musco Finance, LLC - Rotary Park	-	330,000	-	330,000
Net pension liability County Employer Retirement	11,813,170	1,689,948	-	13,503,118
Net OPEB liability CERS	3,469,542	10,247	-	3,479,789
Net pension liability Police and FireFighters' Fund	3,419,339	-	-	3,419,339
Accrued absences	91,175	18,103	-	109,278
	<u>\$ 26,330,474</u>	<u>\$ 2,048,298</u>	<u>\$ 699,432</u>	<u>\$ 27,679,340</u>

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Capital assets under capital lease at June 30, 2020 consist of a street sweeper, a roll back and Rotary Park Lighting improvements. In addition, the Arena and related assets are under lease purchase agreements. The City's management believes that all debt covenants are being complied with.

NOTE 8 – PENSION PLANS

A. General Government Employees

The City has two pension plans. The City contributes to the Kentucky County Employees Retirement System (CERS), which is a cost-sharing multiple-employer public employee retirement system (PERS) administered by the Kentucky retirement system. All full-time employees are eligible and must participate in the State PERS. The City participates in both the hazardous and non-hazardous portion of the plan. The City also maintains the Police and Firefighters' Pension Fund, which is closed to new participants.

The City's contribution to CERS for both hazardous duty and non-hazardous duty employees for the years ended June 30, 2020, 2019, and 2018 was \$1,137,621, \$1,004,629, and \$843,905, respectively. The City's contribution to the Police and Firefighters' Pension Plan for the years ended June 30, 2020, 2019, and 2018 was 503,986 \$507,849, and \$525,627.

General information about the County Employees Retirement System Non-Hazardous and Hazardous duty employees ("CERS")

Plan description—Employees covered by 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>.

Funding Policy – Funding for the Plan is provided through payroll withholdings and matching City contributions. For 2020 the City contributed 24.06% of non-hazardous duty employee total compensation of which 19.30% was for pension and 4.76% was for medical insurance. The City contributed 39.58% for hazardous duty employees of which 30.06% was for pensions and 9.52% was for insurance.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS -- CONTINUED

Year ended June 30, 2020

NOTE 8 -- PENSION PLANS (continued)

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

A. General Government Employees (continued)

Non-hazardous

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Required contribution

Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Hazardous

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	20 years service credit
	Reduced retirement	At least 15 years service credit and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	25 years service Or age 60 and at least 60 months of service credit
	Reduced retirement	Age 50 or older with at least 180 months of service credit
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	25 years service Or age 60 and at least 60 months of service credit
	Reduced retirement	Not available

Required contribution

Tier 1	8%
Tier 2	8% + 1% for insurance
Tier 3	8% + 1% for insurance

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.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 8 – PENSION PLANS (Continued)

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and 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 nonservice-related disability benefits.

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, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the CERS net pension liability - non hazardous	\$ 4,783,877
City's proportionate share of the CERS net pension liability -hazardous	<u>8,719,241</u>
	<u>\$ 13,503,118</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, 2020, the City's proportion was 0.06802% of non-hazardous and 0.3157% of hazardous.

For the year ended June 30, 2020, the City recognized pension expense of \$2,447,914 related to CERS hazardous and non-hazardous. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

See Table Next Page

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 8 – PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 492,607	\$ 20,213
Changes of assumptions	1,330,553	-
Net difference between projected and actual earnings on pension plan investments	225,963	426,481
Changes in proportion and differences between District contributions and proportionate share of contributions	175,930	176,298
City contributions subsequent to the measurement date	881,623	-
Total	\$ 3,106,676	\$ 622,992

The \$881,623 is classified as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 1,058,386
2021	393,475
2022	136,869
2023	13,331
	<u>\$ 1,602,061</u>

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:

	CERS
Inflation	3.30%
Projected salary increases	3.3%-10.3%
Investment rate of return, net of investment expense & inflation	6.25%

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 8 – PENSION PLANS (Continued)

For CERS, mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

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 2005 through 2008, is outlined in a report dated August 25, 2009. 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.

Discount rate—For CERS, 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 each 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 Non-hazardous	5.25%	6.25%	7.25%
City's proportionate share of net pension liability	\$ 5,983,273	\$ 4,783,877	\$ 3,784,192
CERS Hazardous	5.25%	6.25%	7.25%
City's proportionate share of net pension liability	\$ 10,901,007	\$ 8,719,241	\$ 6,930,507

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 8 – PENSION PLANS (Continued)

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

B. Police and Firefighters' Pension Fund

The City contributes to a defined benefit plan, the Corbin Police and Firefighters' Fund, which is a single-employer pension employee retirement system (PERS). It is the responsibility of the Corbin PERS to function as an investment and administrative agent for the City of Corbin with respect to the pension plan. The plan is included in the accompanying financial statements as a pension fund.

General Information about the Police and Firemen' Pension Plan

Plan Description - Based on state statutes, all full-time employees must participate in city or municipality pension plans. Under the provisions of the City's pension plan, pension benefits vest after twenty years of full-time employment. An employee may retire after twenty years of service and receive annual pension benefits equal to one-half of the employee's salary, including incentive pay, earned during the last year of employment. Also, the pension plan provides for death and disability benefits. All pension, death, and disability benefits are determined by state statutes. The Fund is closed to new participants, and there are no active employees in the plan.

The Plan uses the accrual basis of accounting. Investment income is recognized when incurred and contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan. The Plan does not issue stand-alone financial statements; however, it is presented in the City's financial statements as the Pension Fund. Two investments represented more than 5% of the net assets available for benefits. Long term certificates of deposit in the amounts of \$108,189, \$300,757, and \$693,154 represented 5.86%, 16.27% and 37.50% of total holdings, respectively.

The remaining assets are held in an interest-bearing checking account and interest receivable. The checking account represents 40.34% of total holdings with interest receivable representing the balance. The cost of administering the plan is financed by the Pension Fund. There are no related party transactions. According to KRS 95.629, if there are insufficient funds, the City will be held responsible for the monthly payment of the pensions after the entire proceeds of the pension fund have been transferred to the general fund of the City. Required contributions are determined by actuarial valuation report but must be approved by the City Commission.

Funding Policy - City contributions are determined by City ordinance and for the year ended June 30, 2020 are 28% of all property taxes collected by the City. Historically the funding policy has been less than the actuarially determined contribution requirement, resulting in a net pension obligation; however, in recent years, contributions have exceeded benefits paid. Membership in the plan as of the actuarial valuation date is 19 participants. The population is made up of retired or terminated participants with deferred vested accounts. There are no employee contributions.

Benefits provided – The Police and Firefighters' Pension Fund provides retirement, and death and disability benefits to Plan participants and beneficiaries. There are no active employees in the Plan and the Plan is closed to new participants. As of the valuation date of July 1, 2018, there were 12 retired employees and 7 beneficiaries in the Plan. All participants in the plan are fully vested.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 8 – PENSION PLANS (Continued)

B. Police and Firefighters' Pension Fund (continued)

To be eligible for the Plan, Police and Firefighter's must have been hired prior to the CERS entry date. Retirement is available after 20 years of service and the retirement income is 50% of the final salary plus 2% of the final salary per year of service between 20 and 25 years and 3% of the final salary of service between 25 and 30 years. Upon death a spouse is entitled to immediate income equal to the member's last rate of pay regardless the length of the employee's service if death is due to occupational causes otherwise one year of service is required. Death benefits cease if the spouse remarries. In addition, \$24 is payable to the spouse for each minor child until the child reaches the age eighteen. Dependent parents may be entitled to 25% of the member's salary if neither a spouse nor a minor child survives. Disability benefits are based on 50% of the final rate of pay and upon death the survivors receive benefits under the death benefit provisions. Funeral benefits are limited to \$100. Cost of living adjustments are provided at the discretion of the Pension Board based on the consumer price index but may not exceed 5% in any given year. There are no required contributions by members. The Plan does not offer any health insurance to a member.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Police and Firefighter's Pension Plan are not fully presented in the actuary report.

At June 30, 2020, the City reported \$3,419,339 as the net pension liability of the Police and Firefighters' Pension Plan. The City is 100% liable for the amount.

The net pension liability for the Plan was measured as of July 1, 2018 presumed to equal to June 30, 2018. The amount was determined by actuarial valuation as of that date. The City has not updated the liability amount or performed another actuarial study for June 30, 2019.

For the year ended June 30, 2020, the City did not recognize pension expense related to the Police and Firefighter's Pension Plan beyond fiduciary benefits paid.

No deferred outflows of resources or deferred inflows of resources were calculated by the actuary based on differences between actual and expected experience, changes of assumption, net difference between projected and actual earnings on pension investments, and there were no changes in proportions. The only deferred outflows are presumed to be contributions after the measurement date, in the amount of \$809,140, which will be applied to the subsequent year.

Actuarial assumption – Inflation is assumed to be 3% for purpose of valuation and investment rate of return is assumed to be 2%. There is no assumption for salary increases since there are no longer any active employees in the plan.

Mortality rates are based on the RP-2000 Mortality Table projected to 2018 without collar adjustment (separate tables for Male and Female lives).

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 8 – PENISON PLANS (Continued)

B. Police and Firefighters' Pension Fund (continued)

Sensitivity of the Net Pension Liability to change in the discount rate - The City would calculate the Pension Liability based on a discount rate of 1% over and 1% under that used in order to demonstrate the sensitivity of the contributions. The gross liability used was \$ \$4,836,421. A discount rate 1% lower would make the liability \$5,386,799, and a rate 1% higher would make the liability \$4,373,090. The plan net position would be subtracted from these numbers to arrive at net pension liability.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available from the City of Corbin and presented in the fiduciary portion of this report.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CERS

Plan Description- The City contributes to the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit pension/OPEB plan administered by Kentucky Retirement Systems (KRS) that covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided- CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008, are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

See table next page

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
Year ended June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – CERS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 779,712
Changes of assumptions	1,044,385	6,686
Net difference between projected and actual earning on plan investments	23,497	208,600
Changes in proportion and differences between contributions and proportionate share of contributions	63,130	66,129
District contribution subsequent to the measurement date	255,998	-
Total	<u>\$ 1,387,010</u>	<u>\$ 1,061,127</u>

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the City's MIP OPEB expense as follows:

Year ended June 30,	
2020	\$ 142,159
2021	\$ 17,926
2022	\$ (45,554)
2023	\$ (22,107)
2024	\$ (19,818)
Thereafter	\$ (2,721)
	<u>\$ 69,885</u>

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB- The net pension and OPEB liabilities reported as of June 30, 2020, were measured as of June 30, 2019, and the total pension and OPEB liabilities used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The City's proportion of the liabilities was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – CERS (continued)

of all participating entities, actuarially determined. The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.68% and 5.69% (non-hazardous and hazardous respectively) used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 5.68% and a municipal bond rate of 3.50%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019.

The following table presents the City's proportionate share of the collective net MIP OPEB liability for both nonhazardous and hazardous duty employees, calculated using the discount rate of 5.68% and 5.69% respectively, as well as what the City's proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% NHZ and 4.69% HZ) or 1-percentage-point higher (6.68% NHZ and 6.69% HZ) than the current rate.

	1% decrease	Current discount rate	1% increase
District's Net OPEB liability	<u>4.68%</u>	<u>5.68%</u>	<u>6.68%</u>
Non-Hazardous duty	\$ 1,499,628	\$ 1,144,066	\$ 823,958
	1% decrease	discount rate	1% increase
	<u>4.69%</u>	<u>5.69%</u>	<u>6.69%</u>
Hazardous duty	\$ 3,258,804	\$ 2,335,723	\$ 1,586,449

The projection of cash flows used to determine the discount rates assumes that each participating employer in CERS will contribute the actuarially determined contribution rates, which are determined using a closed funding period (25 years as of June 30, 2019), as well as the actuarial assumptions and methods adopted by the KRS Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the system.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Share of Net OPEB Liability Non-Hazardous	Share of Net OPEB Liability Hazardous
1% decrease	\$ 850,848	\$ 1,625,231
Current healthcare cost trend rate	\$ 1,144,066	\$ 2,335,723
1% increase	\$ 1,499,628	\$ 3,202,484

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – CERS (continued)

Plan Fiduciary Net Position- Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans- The City reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2020.

Pension	OPEB
\$ -	\$ -

NOTE – 10 LEASES (CITY AS LESSOR)

The City receives rental income principally for real property from various agencies. Future minimum rental commitments under these leases are insignificant. Rental income from these sources totaled approximately \$91,297 for the year ended June 30, 2020.

NOTE – 11 MUNICIPAL AID FUNDS

The City receives municipal aid funding from the State of Kentucky. These funds are restricted for the specific purposes and may be shown in a separate fund; however, the City chooses to account for Municipal Aid through its general fund. Municipal Aid funds received for the year amounted to \$155,784.

NOTE – 12 LOCAL GOVERNMENT ECONOMIC ASSISTANCE

The City receives LGEA funding from the State of Kentucky. The funds are restricted for specific purposes, and, the City chooses to account for LGEA revenues and expenditures through its general fund. Local Government Economic Assistance funds received for the year amounted to \$13,944.

NOTE – 13 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the City participates in the Kentucky League of Cities Insurance Services. The City pays an annual premium to each fund for coverage. Workers' Compensation premiums are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications.

In accordance with KRS 65.067, the City bonds officials or employees who handle public funds in an amount covering the maximum amount they may have under their control at any given time. This statute applies to all officers, officials, and employees of all local governments who handle public funds in an execution of their duties. In order to comply with the regulation, the City purchases insurance bonds through various agencies.

CITY OF CORBIN, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE – 13 RISK MANAGEMENT (continued)

There was no reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's coverage in the past three years.

NOTE – 14 NONSPENDABLE FUND BALANCE

At June 30, 2020, the City of Corbin had \$353 in nonspendable fund balances representing prepaid insurance in the same amount.

NOTE – 15 RESTRICTED FUND BALANCE

Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), or 2) imposed by law through constitutional provisions or enabling legislation. All fund balances not otherwise classified as non-spendable, restricted, committed, or assigned are shown as unrestricted. Restricted assets included \$32,108 in police forfeiture account cash and \$49,126, in ABC accounts receivable at June 30, 2020.

NOTE – 16 COMMITTED FUND BALANCE

Committed net assets are those with constraints placed on their use by the governing body of the City. Committed net assets included \$14,479 set aside in the Tourism Lighting Account, and \$15,464 in the Police and Fire Special Operations Account at June 30, 2020.

NOTE – 17 ALCOHOL REGULATORY FEES

The City recognized approximately \$584,900 in alcohol regulatory and license fee revenue during the year ended June 30, 2020. According to KRS 243.075 the license fee must be estimated to fully reimburse the City for the estimated costs of any additional policing, regulatory, or administrative expenses related to the sale of alcohol in the City. The City management believes that all revenue has been expended in accordance with Kentucky law.

NOTE – 18 SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 27, 2020, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. However, in March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic.

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The extent to which COVID-19 may impact the City will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the City has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2021.

The exact amount of additional expense the pandemic created for the City is not known; however, it was significant. The City received CARES ACT funding of \$522,113 as of September 30, 2020 and is expected to receive at least an additional \$162,000 all as result of COVID-19. Those revenues are not reflected in these financial statements in accordance with Generally Accepted Auditing Standards and Generally Accepted Accounting Principles in the United States of America.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORBIN, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2020

	General Fund			Over (Under) Budget
	Original Budget	Final Budget	Actual	
REVENUES	\$ 9,785,944	\$ 10,515,625	\$ 8,713,326	\$ (1,802,299)
EXPENDITURES				
General government	917,350	902,775	974,302	71,527
Police department	2,902,052	2,406,800	2,525,330	118,530
Fire department	1,678,350	1,729,350	1,729,324	(26)
Public works	2,212,267	2,401,500	2,400,168	(1,332)
Recycling center	429,794	463,000	462,941	(59)
Building inspection	132,856	106,000	105,591	(409)
Parks and recreation	989,495	1,286,500	1,573,460	286,960
Special projects	238,000	618,700	541,144	(77,556)
Downtown main street	163,980	123,000	122,566	(434)
Arena	500,000	500,000	-	(500,000)
Total expenditures	10,164,144	10,537,625	10,434,826	(102,799)
OTHER FINANCING SOURCES				
Proceeds from debt	-	-	-	-
Total other financing sources	-	-	-	-
OTHER FINANCING USES				
Proceeds from debt	-	-	330,000	330,000
Transfer in/(out)	510,000	540,000	146,212	(393,788)
Bonded debt service	(136,800)	(142,000)	(140,601)	1,399
Total other financing sources	373,200	398,000	335,611	(62,389)
Net Change in Fund Balance	(5,000)	376,000	(1,385,889)	(1,637,111)
Fund balance, July 1, 2019	6,960,189	6,960,189	6,960,189	-
Fund balance June 30, 2020	\$ 6,955,189	\$ 7,336,189	\$ 5,574,300	\$ (1,637,111)

See accompanying notes.

CITY OF CORBIN, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

ARENA FUND

Year Ended June 30, 2020

	Arena Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES	\$ 3,343,175	\$ 3,343,175	\$ 1,681,256	\$ (1,661,919)
EXPENDITURES				
Arena	3,343,175	3,343,175	2,330,242	(1,012,933)
Total expenditures	3,343,175	3,343,175	2,330,242	(1,012,933)
OTHER FINANCING SOURCES				
Proceeds from debt	-	-	-	-
Total other financing sources	-	-	-	-
OTHER FINANCING USES				
Transfer in/(out)	-	-	390,071	390,071
Bonded debt service	-	-	-	-
Total other financing sources	-	-	390,071	(390,071)
Net Change in Fund Balance	-	-	(258,915)	(648,986)
Fund balance, July 1, 2019	(1,589,461)	(1,589,461)	(1,589,461)	-
Fund balance June 30, 2020	\$ (1,589,461)	\$ (1,589,461)	\$ (1,848,376)	\$ (648,986)

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Employees Retirement System (Non Hazardous)
June 30, 2020

	<u>City's proportion of net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered-employee payroll</u>	<u>City's proportionate 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>
2020	0.07%	\$4,783,877	\$ 1,716,438	278.71%	50.45%
2019	0.07%	\$4,025,448	\$ 1,721,863	233.78%	53.54%
2018	0.07%	\$3,981,829	\$ 1,540,402	258.49%	53.30%
2017	0.07%	\$3,386,273	\$ 1,858,635	204.16%	55.50%
2016	0.07%	\$2,992,950	\$ 1,633,089	183.27%	59.97%
2015	0.07%	\$2,355,000	\$ 1,657,600	142.07%	66.80%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

County Employees Retirement System (Hazardous)

June 30, 2020

	<u>City's proportion of net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered-employee payroll</u>	<u>City's proportionate 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>
2020	0.32%	\$8,719,241	\$ 1,830,837	476.24%	46.63%
2019	0.31%	\$7,787,722	\$ 1,796,188	433.57%	49.26%
2018	0.31%	\$6,886,612	\$ 1,894,922	363.42%	53.30%
2017	0.33%	\$5,744,189	\$ 1,719,485	334.06%	55.50%
2016	0.29%	\$4,387,259	\$ 1,689,510	259.68%	59.97%
2015	0.33%	\$3,986,000	\$ 1,743,520	228.62%	66.80%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF CONTRIBUTIONS

County Employees Retirement System (Non Hazardous)

Year ended June 30, 2020

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2020	\$331,273	\$331,273	\$ -	\$ 1,716,438	19.30%
2019	\$279,286	\$279,286	\$ -	\$ 1,721,863	16.22%
2018	\$222,998	\$222,998	\$ -	\$ 1,540,042	14.48%
2017	\$231,379	\$231,379	\$ -	\$ 1,658,635	13.95%
2016	\$202,825	\$202,825	\$ -	\$ 1,633,089	12.42%
2015	\$211,344	\$211,344	\$ -	\$ 1,657,600	12.75%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF CONTRIBUTIONS

County Employees Retirement System (Hazardous)

Year ended June 30, 2020

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll**</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2020	\$550,350	\$ 550,350	\$ -	\$1,830,837	30.06%
2019	\$446,712	\$ 446,712	\$ -	\$1,796,188	24.87%
2018	\$416,883	\$ 416,883	\$ -	\$1,894,922	22.20%
2017	\$373,300	\$ 373,300	\$ -	\$1,719,485	21.71%
2016	\$342,311	\$ 342,311	\$ -	\$1,689,510	20.26%
2015	\$561,522	\$ 361,432	\$ -	\$1,743,520	20.73%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available

CITY OF CORBIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY

County Employees Retirement System (Non Hazardous)

June 30, 2020

	<u>City's proportion of net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered-employee payroll</u>	<u>City's proportionate 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 OPEB liability</u>
2020	0.07%	\$ 1,144,066	\$ 1,716,438	66.65%	60.44%
2019	0.07%	\$ 1,173,592	\$ 1,721,863	68.16%	57.62%
2018	0.07%	\$ 1,367,575	\$ 1,540,402	88.78%	52.39%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
County Employees Retirement System (Hazardous)
June 30, 2020

	<u>City's proportion of net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered-employee payroll</u>	<u>City's proportionate 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>
2020	0.32%	\$ 2,335,723	\$ 1,830,837	127.58%	64.44%
2019	0.32%	\$ 2,295,950	\$ 1,796,188	127.82%	64.24%
2018	0.31%	\$ 2,544,594	\$ 1,894,922	134.28%	58.99%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF CONTRIBUTIONS OPEB
County Employees Retirement System (Non Hazardous)
Year ended June 30, 2020

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll*</u>
2020	\$ 81,702	\$ 81,702	\$ -	\$ 1,716,438	4.76%
2019	\$ 90,570	\$ 90,570	\$ -	\$ 1,721,863	5.26%
2018	\$ 72,382	\$ 72,382	\$ -	\$ 1,540,042	4.70%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF CONTRIBUTIONS - OPEB
County Employees Retirement System (Hazardous)
Year ended June 30, 2020

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll**</u>
2020	\$ 174,296	\$ 174,296	\$ -	\$1,830,836	9.52%
2019	\$ 188,060	\$ 188,060	\$ -	\$1,796,188	10.47%
2018	\$ 177,175	\$ 177,175	\$ -	\$1,894,922	9.35%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available

CITY OF CORBIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

Police and Firefighters' Pension Fund

June 30, 2020

	City's proportion of net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered-employee payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	100.00%	\$3,419,339	\$ -	N/A	54.07%
2019	100.00%	\$3,419,339	\$ -	N/A	47.25%
2018	100.00%	\$5,235,262	\$ -	N/A	27.20%
2017	100.00%	\$5,235,262	\$ -	N/A	23.10%
2016	100.00%	\$5,235,262	\$ -	N/A	20.00%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF CONTRIBUTIONS

Police and Firefighters' Pension Fund

Year ended June 30, 2020

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered-employee payroll**</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2020	\$ 534,436	\$ 534,436	\$ -	\$ -	NA
2019	\$ 507,850	\$ 507,850	\$ -	\$ -	NA
2018	\$ 525,960	\$ 525,960	\$ -	\$ -	NA
2017	\$ 482,850	\$ 482,850	\$ -	\$ -	NA
2016	\$ 495,095	\$ 495,095	\$ -	\$ -	NA

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

Notes to Required Supplementary Information

County Employees' Retirement System

Police and Firemen's' Pension Fund

June 30, 2020

County Employees' Retirement System -Pension Fund

Changes of Benefit Terms

None

Changes of Assumptions

The salary assumption was changed from 3.05% to 3.30-10.30%

County Employees' Retirement System - OPEB

Changes of Benefit Terms

None

Changes of Assumptions

The salary assumption was changed from 3.05% to 3.30-10.30%

The single discount rate was changed from 5.85% to 5.68%

Police and Firemen's' Pension Fund

Changes of Benefit Terms

None.

Changes of Assumptions

None



Cloyd & Associates, PSC
Certified Public Accountants

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

Independent Auditor's Report

Mayor and Commissioners
City of Corbin
Corbin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Corbin, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Corbin, Kentucky's basic financial statements, and have issued our report thereon dated November 27, 2020. We did not audit the City Utility Commission or the Corbin Library District, which are component units of the City of Corbin, Kentucky. Those units were audited in whole by other auditors. Consequently, this report does not relate to those audited financial statements.

Internal Control over Financial Reporting

Management of City of Corbin, Kentucky is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered City of Corbin, 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 Corbin, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Corbin, 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. We consider the matters noted in the accompanying Schedule of Findings and Recommendations letter to be material weaknesses as noted as 2020-001.

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. We did not note significant deficiencies during our audit that require reporting; however, such deficiencies may exist and not be detected.

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Cloyd & Associates, PSC
Certified Public Accountants

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 identify deficiencies in internal control that we consider to be material weaknesses that are presented in the attached Schedule of Findings and Recommendations letter dated November 27, 2020. However, other material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Corbin, 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*.

Managements Response to Findings

The City of Corbin, Kentucky's management's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The City management's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly we express no opinion on it.

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.

Cloyd & Associates, PSC

Corbin, Kentucky
November 27, 2020

**Schedule of Findings and Recommendations
City of Corbin, Kentucky
June 30, 2020**

Material Weaknesses

We noted the following deficiencies that we consider to be material weaknesses. All material weaknesses are also considered significant deficiencies.

2020-001

Condition:	There is a failure to establish sufficient controls over accounting for capital assets.
Criteria:	Fixed asset acquisitions and disposals should be determined by City Management including department managers when they are purchased or otherwise acquired or disposed. Also, assets purchased with federal funds are required to be inventoried a least every two years.
Cause:	The City department managers do not appear to have adequate training in this area.
Effect:	The City could lose assets to theft or misplacement and not be aware of the loss or material addition.
Recommendation:	We recommend that a comprehensive study of all fixed assets be conducted and the City

Response/ Corrective Action Plan: The City management has been aware of this situation for some time is working to correct the issue.

Note: All material weaknesses are, by definition, also significant deficiencies.