

CITY OF CORBIN  
Corbin, Kentucky

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021  
with  
INDEPENDENT AUDITOR'S REPORT

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**Cloyd & Associates, PSC**  
*Certified Public Accountants*

## **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, 2021, 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 have also audited the Corbin Tourism Commission (an discretely presented component unit). 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 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 of the City of Corbin Library District were not audited, and we were not engaged to audit the City of Corbin Library District's financial statements as part of our audit of the Government's basic financial statements. The City of Corbin Library District's financial activities are included in the Government's basic financial statements as a discretely presented component unit and represents eleven percent, two percent and four percent of the assets, net position and revenues, respectively, of the Government's aggregate discretely presented component units. In addition, the Library District's financial activity is presented on the cash basis. The difference as opposed to the accrual basis with accrual basis, if any, is not known. The financial statements referred to include summarized information of most recent audited financial data for the City's legally separate discretely presented component units.

### **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, 2021 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.





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*Certified Public Accountants*

## **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 an 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 September 13, 2021, 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*

September 13, 2021  
Corbin, KY

## **CITY OF CORBIN, KENTUCKY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Year ended June 30, 2021**

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## **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, 2021. 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 \$5,058,498, exclusive of pension trust funds, included \$39,913 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 \$2,964,528 of which \$32,108 was restricted and remaining balance was unrestricted.
- The City's government wide combined net position decreased by \$579,449, in FY 2021 compared to the prior year. The governmental combined fund balance increased by \$1,728,363 compared to the prior year.
- The general fund had approximately \$9.6 million in revenue, which primarily consisted of tax revenue, fees for services, regulatory fees, and intergovernmental revenue. There was an overall increase in the general fund balance of approximately \$1,909,848 which represents approximately an increase of 35% relative to the prior year. The Corbin Arena fund showed an overall decrease of \$181,204, which represents approximately a 10% decrease. The total overall increase for governmental funds was \$1,728,363 or approximately 47% increase in the fund balance between 2020 and 2021. The increase appears to be due to increases in revenue due to the pandemic.
- The City's total long-term liabilities increased approximately \$4 million relative to 2020 primarily due fluctuation of current year pension and OPEB expense and some nominal additional borrowing. The ending long-term debt to balance was \$31,749,089 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 the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net



## CITY OF CORBIN, KENTUCKY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2021

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position may serve as a useful indicator of whether the financial position of the City is improving or 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 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 \$13.9 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, 2021

### The City as a Whole

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

	Governmental Activities		Total	
	2020	2021	2020	2021
Current and other assets	\$ 4,379,465	\$ 7,012,325	\$ 4,379,465	\$ 7,012,325
Capital assets, net of depreciation	35,076,779	35,807,353	35,076,779	35,807,353
<b>Total Assets</b>	<b>39,456,244</b>	<b>42,819,678</b>	<b>39,456,244</b>	<b>42,819,678</b>
Deferred outflows of resources	5,329,269	5,636,605	5,329,269	5,636,605
Current liabilities	1,382,050	2,241,347	1,382,050	2,241,347
Other liabilities	27,030,441	31,174,109	27,030,441	31,174,109
<b>Total Liabilities</b>	<b>28,412,491</b>	<b>33,415,456</b>	<b>28,412,491</b>	<b>33,415,456</b>
Deferred inflows of resources	1,684,119	1,116,787	655,000	1,116,787
<b>Net assets</b>				
Net investment in capital assets	27,908,964	35,427,219	27,908,964	35,427,219
Non-spendable	-	638	-	638
Restricted	-	88,761	-	88,761
Unrestricted	(13,220,061)	(21,592,578)	(13,220,061)	(21,592,578)
<b>Total Net Position</b>	<b>\$ 14,688,903</b>	<b>\$ 13,924,040</b>	<b>\$ 14,688,903</b>	<b>\$ 13,924,040</b>

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

	Governmental Activities		Total	
	2020	2021	2020	2021
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 2,938,073	\$ -	\$ 2,938,073	\$ -
Operating Grants & contributions	1,492,734	-	1,492,734	-
Capital Grants & contributions	68,600	-	68,600	-
General revenues				
Local taxes	5,378,783	6,631,246	5,378,783	6,631,246
Regulatory fees	584,900	616,300	584,900	616,300
Licenses and permits	256,153	321,289	256,153	321,289
Earnings on investments	39,484	14,886	39,484	14,886
Other	220,869	343,266	220,869	343,266
<b>Total revenues</b>	<b>10,979,596</b>	<b>7,926,987</b>	<b>10,979,596</b>	<b>7,926,987</b>
<b>Expenses</b>				
General government	1,080,466	758,636	1,080,466	758,636
Police department	2,889,506	2,018,458	2,889,506	2,018,458
Fire department	1,926,382	1,479,557	1,926,382	1,479,557
Public works	2,596,546	120,697	2,596,546	120,697
Recycling center	553,721	494,532	553,721	494,532
Building inspector	123,669	139,914	123,669	139,914
Parks and recreation	1,215,928	1,149,178	1,215,928	1,149,178
Special projects	541,144	553,257	541,144	553,257
Arena	2,259,873	1,527,122	2,259,873	1,527,122
Downtown main street	151,168	162,902	151,168	162,902
Interest on debt service	329,499	102,179	329,499	102,179
<b>Total expenses</b>	<b>\$ 13,667,902</b>	<b>\$ 8,506,432</b>	<b>\$ 13,667,902</b>	<b>\$ 8,506,432</b>
<b>Increase/(Decrease) in net position</b>	<b>\$ (2,688,306)</b>	<b>\$ (579,445)</b>	<b>\$ (2,688,306)</b>	<b>\$ (579,445)</b>

## CITY OF CORBIN, KENTUCKY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2021

There has been some increase in the overall financial position of the City since the prior year. The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for fiscal years 2020 and 2021:

	2020	2021
<b>Revenues and other financing sources</b>		
Tax and related revenue	\$ 5,963,683	\$ 6,631,246
Licenses and permits	256,153	937,589
Fees for services	2,823,876	3,244,801
Rent	114,197	68,929
Investments	39,484	14,886
Intergovernmental	1,561,334	1,581,680
Other	220,869	69,339
Debt issue	330,000	2,450,000
Debt premium	-	11,502
<b>Total Revenue and other financing sources</b>	<b>11,309,596</b>	<b>15,009,972</b>
<b>Expenditures and other financing uses</b>		
General government	974,302	1,180,278
Police department	2,525,330	2,219,302
Fire department	1,729,324	1,552,561
Public works	2,400,168	1,937,931
Recycling center	462,941	487,419
Building inspection	105,591	126,787
Parks and recreation	1,573,460	2,569,495
Special projects	541,144	483,886
Downtown main street	122,566	130,666
Arena	1,591,820	1,979,004
Debt service	879,023	552,778
Cost of debt issuance	-	61,502
<b>Total expenditures and other financing uses</b>	<b>12,905,669</b>	<b>13,281,609</b>
<b>Net change in fund balance</b>	<b>\$ (1,596,073)</b>	<b>\$ 1,728,363 *</b>

\*Refund of bond nets to zero; not included.

### General Fund Revenue

The majority of revenue, net of debt, was derived from tax revenue 61% in 2020 and 43% in 2021). Fees for services made up 20% of revenue in 2020 and 21% in 2021. Intergovernmental income made up 10% of total revenues in 2020 and 12% in 2021. Interest income made up 0.45% of total revenues in 2020 and 0.14% in 2021.

### 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, 2021**

	Primary Government	Component Units		
	Governmental Activities	Corbin Tourism and Convention Commission	Corbin Public Library District (Unaudited)	City Utilities Commission
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 5,018,585	\$ 574,421	\$ 594,305	\$ 1,856,477
Restricted cash and cash equivalents	39,913	-	408,494	353,603
Investments	-	-	-	1,318,448
Restricted Investments	-	-	-	866,740
Taxes receivable:				
Restaurant tax	134,649	267,882	-	-
Insurance tax	440,146	-	-	-
Occupational tax	411,698	-	-	-
Other receivables (net of allowance for uncollectible accounts)	488,387	34,568	-	1,323,067
Unbilled accounts receivable - estimated	-	-	-	506,019
Due from other funds	172,726	-	-	-
Due from component units	305,583	-	-	-
Prepaid expense	638	5,896	-	44,869
Security deposits	-	120	-	-
Bond Discount	-	-	29,045	-
Materials and supply inventory	-	-	-	305,015
Investment in fixed assets, net				
Non-depreciable	4,445,773	208,799	-	-
Depreciable	31,361,580	540,731	1,060,640	43,907,875
<b>Total assets</b>	<b>42,819,678</b>	<b>1,632,417</b>	<b>2,092,484</b>	<b>50,482,113</b>
<b>Deferred outflows of resources</b>				
Deferred outflows of resources - OPEB CERS Non-Hazardous	991,968	-	-	-
Deferred outflows of resources - OPEB CERS - Non-Hazardous	727,437	-	-	-
Deferred outflows of resources - Pension CERS Non-Hazardous	876,294	-	-	-
Deferred outflows of resources - Pension CERS-Hazardous	1,611,718	-	-	-
Deferred outflows of resources - Police and Fire Pension	1,347,006	-	-	-
Deferred outflows of resources created by debt refundings, net	82,182	-	-	-
	<b>5,636,505</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	68,081	-	-	1,116,772
Accrued expenses	214,105	14,360	1,056	-
Unearned revenue	999,650	-	-	-
Arena operations funding payable	-	209,554	-	-
Note payable - PPP	-	18,734	-	-
Accrued compensated absences - current	19,700	-	-	82,429
Due to other funds	172,726	-	-	-
Due to component units	134,649	-	-	-
Accrued interest	57,455	-	-	-
Current portion of notes and mortgages payable	-	-	-	2,526,865
Current portion of bond payable	-	-	44,288	-
Current portion of recreation bond due	35,000	-	-	-
Current portion of bond series 2020 due	345,000	-	-	-
Current portion of bond series 2012 due	154,167	-	-	-
Customer deposits/ water leak protection	-	-	-	1,164,067
Current portion of capital leases due	59,782	-	-	-
Net OPEB Liability County Employees Retirement System- Non-Hazardous	1,620,696	-	-	-
Net OPEB Liability County Employees Retirement System- Hazardous	2,897,450	-	-	-
Net Pension Liability County Employees Retirement System- Non-Hazardous	5,148,355	-	-	-
Net Pension Liability County Employees Retirement System- Hazardous	9,456,335	-	-	-
Net Pension Liability Police and Firefighters' Pension Fund	3,419,339	-	-	-
Long term portion of notes payable	-	-	-	7,256,705
Long term portion of recreation bond	2,415,000	-	-	-
Long term portion of bond series 2020	2,680,000	-	-	-
Long term portion of bond series 2010	3,088,336	-	-	-
Long-term portion of bond payable	-	-	1,315,712	-
Long-term portion of capital leases	320,352	-	-	-
Non-current portion of accrued compensated absences	109,278	-	-	-
<b>Total liabilities</b>	<b>33,415,456</b>	<b>242,648</b>	<b>1,361,056</b>	<b>12,146,838</b>
<b>Deferred inflows of resources</b>				
Deferred inflows of resources - OPEB CERS Non-Hazardous	343,498	-	-	-
Deferred inflows of resources - OPEB CERS Hazardous	423,870	-	-	-
Deferred outflows of resources - Pension CERS Non-Hazardous	138,396	-	-	-
Deferred outflows of resources - Pension CERS Hazardous	213,023	-	-	-
	<b>1,116,787</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	35,427,219	749,530	(299,360)	34,124,305
Non-spendable	638	-	408,494	-
Restricted for:				
Operations	88,761	6,015	-	-
Customer deposits	-	-	-	169,995
Debt Service	-	-	-	65,100
Unrestricted	(21,592,578)	634,223	622,294	3,975,875
<b>Total net position</b>	<b>\$ 13,924,040</b>	<b>\$ 1,389,768</b>	<b>\$ 731,428</b>	<b>\$ 38,335,275</b>

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

## CITY OF CORBIN, KENTUCKY

## STATEMENT OF ACTIVITIES

Year ended June 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government  Governmental Activities	Corbin Tourism and Convention Center	Corbin Public Library District (Unaudited)	City Utilities Commission
Governmental activities								
General Government	\$ 1,600,773	\$ -	\$ 842,137	\$ -	(758,636)	\$ -	\$ -	\$ -
Police Department	2,329,650	36,702	271,490	-	(2,018,458)	-	-	-
Fire Department	1,607,268	19,984	107,747	-	(1,479,557)	-	-	-
Public Works	2,257,438	1,776,435	360,308	-	(120,697)	-	-	-
Recycling Center	587,799	73,267	-	-	(494,532)	-	-	-
Building Inspection	144,964	5,050	-	-	(139,914)	-	-	-
Parks and Recreation	1,227,297	78,119	-	-	(1,149,178)	-	-	-
Special Projects	553,257	-	-	-	(553,257)	-	-	-
Arena expenditures	2,782,368	1,255,284	-	-	(1,527,122)	-	-	-
Downtown Main Street	162,902	-	-	-	(162,902)	-	-	-
Interest on Long-Term Debt	102,179	-	-	-	(102,179)	-	-	-
Total primary government	\$13,332,913	\$ 3,244,801	\$ 1,581,680	\$ -	(8,506,432)	-	-	-
Component Units								
City Utilities Commission	\$11,642,602	\$ 11,490,885	-	-	-	-	-	(151,737)
Corbin Tourism and Convention Center	1,343,076	-	25,000	-	(1,318,076)	-	-	-
Corbin Public Library District	384,106	15,349	93,171	-	-	(275,588)	-	-
General revenues								
Taxes:								
Property					1,213,582	-	289,946	-
Motor vehicle					125,376	-	-	-
Occupational					2,402,495	-	-	-
Municipal insurance					1,752,342	-	-	-
Other					1,137,451	1,487,662	-	-
Alcohol regulatory fees					616,300	-	-	-
Municipal fees in lieu of taxes					-	-	-	-
Licenses and permits					321,289	-	-	-
Rent					68,929	-	-	-
Earnings on investments					14,886	-	11,319	40,408
Net gain on refunded bond					(3,877)	-	-	3,661
Debt premium assets					138,177	-	-	-
Debt cost					(151,802)	-	-	-
Other					291,639	7,902	12,505	730,313
Total general revenues					7,926,987	1,495,564	313,772	(692,244)
Net position, July 1, 2020					14,688,903	1,212,280	693,242	39,179,256
Prior period adjustment					(185,418)	-	-	-
Change in net position					(579,445)	177,488	38,186	(843,981)
Net position as of June 30, 2021					\$ 13,924,040	\$ 1,389,768	\$ 731,428	\$ 38,335,275

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



**CITY OF CORBIN, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2021**

	General Fund	Corbin Arena Fund	ABC FUND	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 4,066,709	\$ 951,876	\$ -	\$ 5,018,585
Restricted cash and cash equivalents	39,913	-	-	39,913
Taxes receivable				
Restaurant tax	134,649	-	-	134,649
Insurance tax	440,146	-	-	440,146
Occupational tax	411,698	-	-	411,698
Other receivables (net of allowance for uncollectible accounts)	224,195	215,344	49,127	488,383
Prepaid expenses	638	-	-	638
Due from other funds		172,447		172,726
Due (to)/from component units	-	305,583	-	305,583
Due from Arena Fund	2,609,330	-	-	2,609,330
<b>Total assets</b>	<b>\$ 7,927,278</b>	<b>\$ 1,645,250</b>	<b>\$ 49,127</b>	<b>\$ 9,621,651</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,231	\$ 65,850	\$ -	\$ 68,081
Accrued expenses	214,105	-	-	214,105
Unearned revenue	-	999,650	-	999,650
Current portion of accrued compensated absences	19,700	-	-	19,700
Line of credit -short term loan	-	-	-	-
Due to Other funds	172,447		279	172,726
Due to General Fund	-	2,609,330		2,609,330
Due to Component Units	134,649	-	-	134,649
<b>Total liabilities</b>	<b>543,132</b>	<b>3,674,830</b>	<b>279</b>	<b>4,218,241</b>
<b>Fund balances</b>				
Nonspendable	638	-	-	638
Restricted	39,913	-	48,848	88,761
Committed	32,329	-	-	32,329
Assigned	-	-	-	-
Unassigned	7,311,266	(2,029,580)	-	5,281,686
<b>Total fund balances</b>	<b>7,384,146</b>	<b>(2,029,580)</b>	<b>48,848</b>	<b>5,403,414</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,927,278</b>	<b>\$ 1,645,250</b>	<b>\$ 49,127</b>	<b>\$ 9,621,655</b>

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, 2021

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Total fund balances - governmental funds	\$ 5,403,414
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:	35,807,353
Deferred outflows of resources are not presented in the governmental fund financial statements but are presented on the statement of net position.	5,636,605
Deferred inflows of resources are not presented in the governmental fund financial statements but are presented on the statement of net position.	(1,116,787)
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.	(9,097,637)
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.	(18,024,029)
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.	(4,518,146)
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>(57,455)</u>
Total net position - governmental activities	<u>\$ 13,924,040</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, 2021**

	General Fund	Corbin Arena Fund	ABC Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Property	\$ 1,213,582	\$ -	\$ -	\$ 1,213,582
Motor vehicle	125,376	-	-	125,376
Occupational	2,402,495	-	-	2,402,495
Municipal insurance	1,752,342	-	-	1,752,342
Other	89,137	1,048,314	-	1,137,451
Alcohol regulatory fees and licenses		-	616,300	616,300
Licenses and permits	321,289	-	-	321,289
Intergovernmental revenues	1,581,682	-	-	1,581,680
Fees for services	1,989,538	1,255,263	-	3,244,801
Rent	55,329	13,600	-	68,929
Interest	14,734	82	70	14,886
Other	69,339	-	-	69,339
Total revenues	<u>9,614,843</u>	<u>2,317,259</u>	<u>616,370</u>	<u>12,548,470</u>
<b>Expenditures</b>				
General government	1,180,083	-	195	1,180,278
Police department	2,219,302	-	-	2,219,302
Fire department	1,552,561	-	-	1,552,561
Public works	1,937,931	-	-	1,937,931
Recycling center	487,419	-	-	487,419
Building inspection	126,787	-	-	126,787
Parks and Recreation	2,569,495	-	-	2,569,495
Special projects	483,886	-	-	483,886
Downtown Main street	130,666	-	-	130,666
Arena expenditures	-	1,979,004	-	1,979,004
Debt Service	-	552,778	-	552,778
Total expenditures	<u>10,688,130</u>	<u>2,531,782</u>	<u>195</u>	<u>13,220,107</u>
Excess (deficit) of revenues over (under) expenditures	(1,073,287)	(214,523)	616,175	(671,637)
<b>Other financing sources (uses)</b>				
Proceeds from debt	2,450,000	3,225,000	-	5,675,000
Premium on debt	11,502	126,675	-	138,177
Transfer from other debt service	-	222,500	-	222,500
Deposit with escrow agents	-	(3,483,877)	-	(3,483,877)
Bond cost	(61,502)	(90,298)	-	(151,800)
Transfer in/out	616,454		(616,454)	-
Transfer in/out	(33,319)	33,319	-	-
Total other financing sources (uses)	<u>2,983,135</u>	<u>33,319</u>	<u>(616,454)</u>	<u>2,400,000</u>
Net change in fund balance	1,909,848	(181,204)	(279)	1,728,363
Fund balances, July 1, 2020	<u>5,474,300</u>	<u>(1,848,376)</u>	<u>49,127</u>	<u>3,675,051</u>
Fund balances, June 30, 2021	<u>\$ 7,384,148</u>	<u>\$ (2,029,580)</u>	<u>\$ 48,848</u>	<u>\$ 5,403,414</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, 2021**

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Net change in total fund balances - governmental funds	\$ 1,728,363
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.	730,574
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.	450,599
Issuance of bonds, notes, and leases payable are reported as other sources and uses in the governmental funds but are an increase in liabilities in payable but they are presented in the statement of net assets.	(2,450,000)
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.	55,739
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	(28,721)
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.	(1,320,999)
Refunding bond issues are recognized as other sources and used in the governmental fund financial statements but are an increase in liabilities in the statement of net position	(3,225,000)
Bond refunding payments are recognized as other sources and used in the governmental fund financial statement but are a decrease in the liabilities in the statement of position.	<u>3,480,000</u>
Change in net position - governmental activities	<u>\$ (579,445)</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, 2021**

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	<u>Agency Funds</u>	<u>Pension Trust Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 549,422
Investments	-	1,552,729
Receivables		
Interest	-	927
	<u>-</u>	<u>1,553,656</u>
<b>Total Assets</b>	<u>-</u>	<u>2,103,078</u>
<b>LIABILITIES</b>		
Due to agencies	-	-
Due to general fund	-	-
	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ -</u>	<u>\$ 2,103,078</u>

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, 2021**

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**ADDITIONS**

Tax revenue	\$ 527,587
Interest	27,932
Other	<u>-</u>
Total revenues	<u>555,519</u>

**DEDUCTIONS**

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

Increase/(Decrease) in net assets 254,228

Net Assets, July 1, 2020 1,848,850

Net Position , June 30, 2021 \$ 2,103,078

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

# **CITY OF CORBIN, KENTUCKY**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**Year ended June 30, 2021**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. The financial reporting entity**

The City of Corbin (the City), 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, 2021.

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 except for City Hall Public Corporation issue separate audited financial statements which can be obtained from the City Clerk at City of Corbin City Hall

## CITY OF CORBIN, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

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#### 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 equal 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, 2021

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#### 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 a major fund and 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. City Hall Public Corporation is blended with the general 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. 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 and uses.

# **CITY OF CORBIN, KENTUCKY**

## **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

**Year ended June 30, 2021**

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### **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 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, 2021, receivables net of the allowance for uncollectible accounts, not including property tax, for governmental activities was \$224,195, \$215,344, and \$49,127 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, 2021

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### **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 fund 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, 2021**

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#### **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 \$83,772 at June 30, 2021.

##### **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, 2021**

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### **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, 2021

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### **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, 2021 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, 2021.

# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### 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, 2021, the carrying amount of the City's cash and cash equivalents was \$5,058,498 which includes cash held by City Hall Public Corporation but does not include other component units. The bank balance including certificates of deposit was \$7,654,214. The City also held \$2,102,151 for the Corbin Police and Firefighters' Pension Fund in cash and certificates of deposit. Of the total cash balance, excluding petty cash of \$2,460 and \$2,622 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, \$39,913 is considered restricted and \$32,329 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, 2021, the City holds one 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, 2021, are outlined below:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2021</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF CORBIN, KENTUCKY****NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2021

**NOTE 4 – CONTINGENCIES (Continued)****C. 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, 2021, was as follows:

	Balance			Balance
Governmental activities	June 30, 2020	Additions	Dispositions	June 30, 2021
Land	\$ 2,665,515	\$ -	\$ -	\$ 2,665,515
Buildings and improvements	47,705,550	-	-	47,705,550
Improvements				
other than buildings	4,321,697	764,825	-	5,086,522
Equipment	6,994,062	19,298	774,824	6,238,536
Other	1,014,956	-	-	1,014,956
Construction in progress	499,503	1,780,268	499,503	1,780,268
	<u>63,201,283</u>	<u>2,564,391</u>	<u>1,274,327</u>	<u>64,491,347</u>
Less: Accumulated depreciation				
Buildings and improvements	18,427,218	902,757	-	19,329,975
Improvements				
other than buildings	1,897,864	176,928	-	2,074,792
Equipment	7,672,191	232,087	774,824	7,129,454
Other	127,231	22,542	-	149,773
Total accumulated depreciation	<u>28,124,504</u>	<u>1,334,314</u>	<u>774,824</u>	<u>28,683,994</u>
Governmental activities, net capital assets	<u>\$ 35,076,779</u>	<u>\$ 1,230,077</u>	<u>\$ 499,503</u>	<u>\$ 35,807,353</u>

# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### NOTE 5 – CAPITAL ASSETS (Continued)

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

General government	\$ 326,654
Police department	106,402
Fire department	27,638
Public works	91,234
Corbin recycling center	12,722
Building Inspector	2,655
Parks and recreation	161,805
Downtown main street	39,283
Arena	<u>565,921</u>
	<u>\$ 1,334,314</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 \$17,959. 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, 2021, are:

FY	Rental Payments
2022	\$ 185,621
2023	167,072
2024	101,629
2025	90,149
2026	<u>55,617</u>
	<u>\$ 600,088</u>

# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### NOTE 7 – LONG-TERM LIABILITIES

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

##### Refinancing Bonds 2020D- Arena General Obligation Bonds

In August 2020, the City issued a General Obligation Capital Lease to refinance the City's 2010 General Obligation Bond. The total refinancing amount was \$3,225,000, which refinanced \$3,480,000 principal of the Series 2010 General Obligation Bond. In addition, there was \$90,297 in cost of issuance. The lease bears variable interest in range from 2.0% to 4.0%. The debt service is split between the General Fund and the Corbin Arena Fund on a pro rata basis. Payments in the amount of \$200,000 were made at the point of refunding on February 1, 2021. The bond maturities and interest as of June 30, 2021, are as follows

Year ending June 30,	Principal Payment	Interest and Fees	Total
2022	\$ 345,000	\$ 68,513	\$ 413,513
2023	355,000	60,750	415,750
2024	365,000	52,762	417,762
2025	375,000	44,550	419,550
2026	385,000	36,112	421,112
2027	390,000	27,450	417,450
2028	400,000	18,675	418,675
2029	410,000	9,675	419,675
	<u>\$ 3,025,000</u>	<u>\$ 318,487</u>	<u>\$ 3,343,487</u>

##### 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, 2021 are:

*See table on next page.*

**CITY OF CORBIN, KENTUCKY****NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**Year ended June 30, 2021

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**NOTE – 7 LONG-TERM LIABILITIES (continued)****A General Obligation Leases- David L. Williams Southeastern Kentucky Agriculture-Exposition Complex (ARENA) (continued)**

<u>Year ending June 30,</u>	<u>Principal Payment</u>	<u>Interest and Fees</u>	<u>Total</u>
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	<u>163,333</u>	<u>7,613</u>	<u>170,946</u>
	<u>\$ 3,242,502</u>	<u>\$ 1,299,190</u>	<u>\$ 4,541,692</u>

**CITY OF CORBIN, KENTUCKY****NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2021

**NOTE – 7 LONG-TERM LIABILITIES (continued)****B. Bond Series 2021 – Miller Park**

In March 2021, the City issued Financing Program Revenue Bonds 2021A to finance the City's Miller Park project. The total financing amount was \$2,450,000. In addition, there was a premium of 11,501 and \$61,501 in cost of issuance. The issue bears variable interest in range from 2.0% to 2.125%. The bond maturities and interest as of June 30, 2021 are as follows:

<u>Year ending June 30,</u>	<u>Principal Payment</u>	<u>Interest and Fees</u>	<u>Total</u>
2022	\$ 35,000	\$ 56,491	\$ 91,491
2023	60,000	56,175	116,175
2024	60,000	54,825	114,825
2025	60,000	53,475	113,475
2026	65,000	52,125	117,125
2027	65,000	50,663	115,663
2028	65,000	49,200	114,200
2029	70,000	47,738	117,738
2030	70,000	46,163	116,163
2031	70,000	44,588	114,588
2032	75,000	43,013	118,013
2033	75,000	41,325	116,325
2034	75,000	39,638	114,638
2035	80,000	37,950	117,950
2036	80,000	36,151	116,151
2037	80,000	34,351	114,351
2038	85,000	32,551	117,551
2039	85,000	30,638	115,638
2040	85,000	28,726	113,726
2041	90,000	26,813	116,813
2042	90,000	24,673	114,673
2043	95,000	22,535	117,535
2044	95,000	20,280	115,280
2045	100,000	18,024	118,024
2046	100,000	15,650	115,650
2047	105,000	13,274	118,274
2048	105,000	10,782	115,782
2049	105,000	8,287	113,287
2050	110,000	5,793	115,793
2051	115,000	3,182	118,182
	<u>\$2,450,000</u>	<u>\$ 1,005,079</u>	<u>\$ 3,455,079</u>



# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### NOTE 7 – LONG-TERM LIABILITIES (Continued)

#### C. Capital Lease Obligations

##### 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 truck. 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 (FY 2023). The payments will be made through the City's general fund. The present value of lease payments at June 30, 2021 was \$76,292. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2021 are:

Fiscal Year Ended June 30,	Amount
2022	\$ 39,860
2023	39,860
	79,720
Less amount representing interest	(3,428)
Present value of minimum lease payments	<u>\$ 76,292</u>

##### 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 of lighting upgrades to Rotary Park. 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 4.95% 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, 2021 was \$303,842. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2021 are:

*See table on next page.*

# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### NOTE 7 – LONG-TERM LIABILITIES (Continued)

#### C. Capital Lease Obligations (Continued)

Fiscal Year Ended June 30,	Amount
2022	42,869
2023	42,869
2024	42,869
2025	42,869
2026	42,869
Thereafter	171,478
	385,823
Less amount representing interest	(81,981)
Present value of minimum lease payments	<u>\$ 303,842</u>

Changes in long-term liability for the year ended June 30, 2021 were as follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
KLC Refinancing Lease Series 2012	\$ 3,392,502	\$ -	\$ 150,000	\$ 3,242,502
KLC Refinancing Lease Series 2010	3,294,582	-	3,294,582	-
KLC Refinancing Lease Series 2020	-	3,225,000	200,000	3,025,000
KLC Financing Lease Series 2021	-	2,450,000	-	2,450,000
Branch Banking and Trust - Street Sweeper	40,816	-	40,816	-
TCF Equipment Finance	109,916	-	33,624	76,292
Musco Finance, LLC - Rotary Park	330,000	-	26,158	303,842
Net pension liability County Employer Retirement	13,503,118	1,101,572	-	14,604,690
Net OPEB liability CERS	3,479,789	1,038,357	-	4,518,146
Net pension liability Police and Firefighters' Fund	3,419,339	-	-	3,419,339
Accrued absences	109,278	-	-	109,278
	<u>\$ 27,349,340</u>	<u>\$ 7,814,929</u>	<u>\$ 3,745,180</u>	<u>\$ 31,749,089</u>

Capital assets under capital lease at June 30, 2021 consist of 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.

## CITY OF CORBIN, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

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#### NOTE 8 – PENSION PLANS (continued)

##### A. General Government Employees (continued)

The City's contribution to CERS for both hazardous duty and non-hazardous duty employees for the years ended June 30, 2021, 2020, and 2019 was \$1,150,882, \$1,137,621, and \$1,004,629, respectively. The City's contribution to the Police and Firefighters' Pension Plan for the years ended June 30, 2021, 2020, and 2019 was \$527,587, \$503,986, and \$507,849.

##### **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.

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:

*See table on next page.*

**CITY OF CORBIN, KENTUCKY****NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**Year ended June 30, 2021

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**NOTE 8 – PENSION PLANS (continued)****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
<u>Required contribution</u>		
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
<u>Required contribution</u>		
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, 2021

### 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, 2021, 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	\$ 5,148,355
City's proportionate share of the CERS net pension liability -hazardous	<u>9,456,335</u>
	<u>\$ 14,604,690</u>

The net pension liability for each plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City'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 0.067124% of non-hazardous and 0.313640% of hazardous.

For the year ended June 30, 2021, the City recognized pension expense of \$2,297,600 related to CERS hazardous and non-hazardous. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

*See table on next page.*

# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### NOTE 8 – PENSION PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 421,662	\$ -
Changes of assumptions	559,672	-
Net difference between projected and actual earnings on pension plan investments	581,264	239,404
Changes in proportion and differences between District contributions and proportionate share of contributions	75,519	110,015
City contributions subsequent to the measurement date	<u>849,894</u>	<u>-</u>
Total	<u>\$ 2,488,011</u>	<u>\$ 349,419</u>

The \$849,894 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Year ended June 30:</u>
2020	\$ 595,541
2021	340,959
2022	198,572
2023	<u>153,627</u>
	<u>\$ 1,288,699</u>

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

	<u>CERS</u>
Inflation	2.30%
Projected salary increases	3.3%-11.55%
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, 2021

### 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	\$ 6,349,042	\$ 5,148,355	\$ 4,154,141
CERS Hazardous	5.25%	6.25%	7.25%
City's proportionate share of net pension liability	\$ 11,686,683	\$ 9,456,335	\$ 7,635,781

## CITY OF CORBIN, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

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#### 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. One investment represented more than 5% of the net assets available for benefit, a long-term certificate of deposit in the amounts of \$1,552,729 represented 100% of total holdings.

The remaining assets are held in an interest-bearing checking account and interest receivable. The checking account represents 26.13% 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, 2021 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, 2021**

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#### **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 is 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, 2021, 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. 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, 2021; however, the City did receive a report date July 1, 2021 indicating a reduction of approximately 1,255,000 that will be applied in the subsequent year.

For the year ended June 30, 2021, 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 \$1,347,006 over the period of three years since the most recent actuarial report, 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, 2021

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#### 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 \$ \$3,419,339. 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](http://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, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

*See table on next page.*

**CITY OF CORBIN, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2021

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – CERS (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 370,213	\$ 560,338
Changes of assumptions	754,590	4,384
Net difference between projected and actual earning on plan investments	301,486	119,000
Changes in proportion and differences between contributions and proportionate share of contributions	43,299	83,646
District contribution subsequent to the measurement date	249,818	-
Total	<u>\$ 1,719,406</u>	<u>\$ 767,368</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, 2021. 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,	
2021	\$ 202,887
2022	\$ 139,692
2023	\$ 163,160
2024	\$ 161,135
2025	\$ 35,348
	<u>\$ 702,222</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, 2021, were measured as of June 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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 of all participating entities, actuarially determined.

# CITY OF CORBIN, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – CERS (continued)

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 5.34% and 5.30% (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 5.34% and a municipal bond rate of 2.19%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020.

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 5.34% and 5.30% 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 (4.34% NHZ and 4.30% HZ) or 1-percentage-point higher (6.34% NHZ and 6.30% HZ) than the current rate.

	1% decrease	Current discount rate	1% increase
District's Net OPEB liability	<u>4.34%</u>	<u>5.34%</u>	<u>6.34%</u>
Non-Hazardous duty	\$ 2,082,118	\$ 1,620,696	\$ 1,241,714
	1% decrease	discount rate	1% increase
	<u>4.30%</u>	<u>5.30%</u>	<u>6.30%</u>
Hazardous duty	\$ 3,933,213	\$ 2,897,450	\$ 2,062,835

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, 2020), 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	\$ 1,254,823	\$ 2,070,603
Current healthcare cost trend rate	\$ 1,620,696	\$ 2,897,450
1% increase	\$ 2,064,690	\$ 3,913,987

## CITY OF CORBIN, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2021

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#### 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, 2021.

Pension	OPEB
<u>\$ -</u>	<u>\$ -</u>

#### 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 \$55,329 for the year ended June 30, 2021.

#### 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 \$134,585.

#### 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 \$15,468.

#### 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, 2021**

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#### **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, 2021, the City of Corbin had \$638 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 \$39,913 in police forfeiture account cash and \$48,848, in ABC accounts receivable at June 30, 2021.

#### **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 \$17,850 in the Police and Fire Special Operations Account at June 30, 2021.

#### **NOTE – 17 ALCOHOL REGULATORY FEES**

The City recognized approximately \$615,900 in alcohol regulatory and license fee revenue during the year ended June 30, 2021. 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 FEDERAL FUNDING**

The City received Cares Act funding of \$684,262 and School Resource funding of \$152,420 for a total of \$845,672 in federal funding. While this is above the \$750,000 floor for a single audit under the uniform guidance, a significant portion of the funding was for the previous year. According to the OMB, the expenditure applies to the year it was expended and not the year it was reimbursed. Accordingly, no single audit was indicated or 2020 or 2021.

#### **Note 19 – PRIOR PERIOD ADJUSTMENT**

The refunding bond issue resulted in a prior period adjustment of \$185,418 in the government wide statements due to a miscalculation of debt service. The adjustment was not material to prior periods.

## **CITY OF CORBIN, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

**Year ended June 30, 2021**

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#### **NOTE – 20 SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through September 13, 2021, 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 \$684,262 as of December 31, 2021 and is expected to receive additional funds in the subsequent year 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, 2021

	General Fund			Over (Under) Budget
	Original Budget	Final Budget	Actual	
REVENUES	\$ 10,845,586	\$ 9,726,132	\$ 9,913,341	\$ 187,209
EXPENDITURES				
General government	915,465	915,465	1,478,581	563,116
Police department	2,976,088	2,976,088	2,219,302	(756,786)
Fire department	1,681,475	1,681,475	1,552,561	(128,914)
Public works	2,259,133	2,259,133	1,937,931	(321,202)
Recycling center	400,650	400,650	487,419	86,769
Building inspection	128,500	128,500	126,787	(1,713)
Parks and recreation	1,307,175	1,307,175	2,569,495	1,262,320
Special projects	484,300	484,300	483,886	(414)
Downtown main street	56,000	56,000	130,666	74,666
Arena	500,000	500,000	-	(500,000)
Total expenditures	10,708,786	10,708,786	10,986,628	277,842
OTHER FINANCING SOURCES				
Proceeds from debt	-	-	-	-
Total other financing sources	-	-	-	-
OTHER FINANCING USES				
Proceeds from debt	-	-	2,400,000	2,400,000
Transfer in/(out)	500,000	500,000	583,135	83,135
Bonded debt service	(136,800)	-	-	-
Total other financing sources	363,200	500,000	2,983,135	2,483,135
Net Change in Fund Balance	500,000	(482,654)	1,909,848	(2,573,768)
Fund balance, July 1, 2020	5,474,300	5,474,300	5,474,300	-
Fund balance June 30, 2021	\$ 5,974,300	\$ 4,991,646	\$ 7,384,148	\$ (2,573,768)

The budget was exceeded in the current year.

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, 2021

	Arena Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES	\$ 3,177,650	\$ 3,177,650	\$ 2,317,259	\$ (860,391)
EXPENDITURES				
Arena	3,177,650	3,177,650	1,979,004	(1,198,646)
OTHER FINANCING SOURCES/USES				
Proceeds from debt	-	-	3,225,000	3,225,000
Premium on debt	-	-	126,675	126,675
Transfer from other debt service	-	-	222,500	222,500
Deposit with escrow agents	-	-	(3,483,877)	(3,483,877)
Bond cost	-	-	(90,298)	(90,298)
Transfer in	-	-	33,319	33,319
Bonded debt service	-	-	(552,778)	(552,778)
Total other financing sources/uses	-	-	(519,459)	(519,459)
Net Change in Fund Balance	3,177,650	3,177,650	(181,204)	3,358,854
Fund balance, July 1, 2020	(1,848,376)	(1,848,376)	(1,848,376)	-
Fund balance June 30, 2021	\$ 1,329,274	\$ 1,329,274	\$ (2,029,580)	\$ 3,358,854

The budget was exceeded in the current year.

See accompanying notes.

**CITY OF CORBIN, KENTUCKY**

**SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**County Employees Retirement System (Non Hazardous)**

**June 30, 2021**

	<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>
2021	0.07%	\$5,148,355	\$ 1,866,207	275.87%	47.81%
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	\$ 1,658,635	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, 2021**

	<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>
2021	0.31%	\$9,456,335	\$ 2,052,144	460.80%	47.81%
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, 2021**

	<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>
2021	\$331,273	\$360,177	\$ -	\$ 1,866,206	19.30%
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, 2021

	<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>
2021	\$616,874	\$ 616,874	\$ -	\$2,052,144	30.06%
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	\$ -	\$1,889,510	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.

See accompanying notes.

**CITY OF CORBIN, KENTUCKY**

**SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY  
County Employees Retirement System (Non Hazardous)  
June 30, 2021**

	City's proportion of net OPEB liability (asset)	City's proportionate share of the net OPEB liability (asset)	City's covered-employee payroll	City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.07%	\$1,620,696	\$ 1,866,206	86.84%	51.67%
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, 2021**

	<u>City's proportion of net OPEB liability (asset)</u>	<u>City's proportionate share of the net OPEB liability (asset)</u>	<u>City's covered-employee payroll</u>	<u>City's proportionate share of the net OPEB 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>
2021	0.31%	\$2,897,450	\$ 2,052,144	141.19%	58.84%
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, 2021**

	<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>
2021	\$ 88,831	\$ 88,831	\$ -	\$ 1,866,206	4.76%
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.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF CONTRIBUTIONS - OPEB  
County Employees Retirement System (Hazardous)  
Year ended June 30, 2021

	<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>
2021	\$ 195,364	\$ 195,364	\$ -	\$ 2,052,144	9.52%
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.

See accompanying notes.

CITY OF CORBIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

Police and Firefighters' Pension Fund  
June 30, 2021

	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
2021	100.00%	\$3,419,339	\$ -	N/A	47.25%
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.

See accompanying notes.

## CITY OF CORBIN, KENTUCKY

**SCHEDULE OF CONTRIBUTIONS**  
**Police and Firefighters' Pension Fund**  
**Year ended June 30, 2021**

	<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>
2021	\$ 537,866	\$ 537,866	\$ -	\$ -	NA
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, 2021**

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#### **County Employees' Retirement System -Pension Fund**

##### **Changes of Benefit Terms**

None

##### **Changes of Assumptions**

None

#### **County Employees' Retirement System - OPEB**

##### **Changes of Benefit Terms**

None

##### **Changes of Assumptions**

The single discount rate was changed from 5.68% to 5.34%

#### **Police and Firemen's' Pension Fund**

##### **Changes of Benefit Terms**

None.

##### **Changes of Assumptions**

None



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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, 2021, 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 September 13, 2021. We did audit The Corbin Tourism and Convention Center, a discretely presented component unit and City Hall Public Corporation, a blended component unit. 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.

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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.

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

During our audit we did note areas where processes may be improved, and we have provided a separate comments and recommendations letter to management dated September 13, 2021.

**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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards as noted below*.

*The actuarial study of the Police and Firemen's Pension Plan is required by law to be conducted biennially but the City is using a three-year interval.*

**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  
September 13, 2021