

**City of Lewisburg, Kentucky**

**Financial Statements**

**June 30, 2019**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As described in Note 9 to the financial statements, in 2019, the City adopted new accounting guidance *GASB No. 75, Accounting and Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 32, and pension and OPEB information on pages 33-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2020, on our consideration of the City of Lewisburg, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lewisburg, Kentucky's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
March 5, 2020

**CITY OF LEWISBURG, KENTUCKY**  
**Statement of Net Position**  
**June 30, 2019**

|  | Primary Government  |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | Governmental        | Business-type       |                     |
|  | Activities          | Activities          | Total               |
| <b>ASSETS</b>  |                     |                     |                     |
| Current assets:                                      |                     |                     |                     |
| Cash and cash equivalents                            | \$ 543,660          | \$ 388,049          | \$ 931,709          |
| Receivables (net of allowances for uncollectibles)   | 27,654              | 109,707             | 137,361             |
| Prepaid expense                                      | 1,270               | 3,027               | 4,297               |
| Inventory  | -                   | 4,158               | 4,158               |
| Interfund receivable (payable)                       | 82,034              | (82,034)            | -                   |
| Total current assets                                 | <u>654,618</u>      | <u>422,907</u>      | <u>1,077,525</u>    |
| Noncurrent assets                                    |                     |                     |                     |
| Restricted cash                                      | 35,754              | 328,282             | 364,036             |
| Capital assets (net of accumulated depreciation)     | <u>994,258</u>      | <u>2,187,097</u>    | <u>3,181,355</u>    |
| Total noncurrent assets                              | <u>1,030,012</u>    | <u>2,515,379</u>    | <u>3,545,391</u>    |
| Total assets   | <u>1,684,630</u>    | <u>2,938,286</u>    | <u>4,622,916</u>    |
| Deferred Outflows                                    |                     |                     |                     |
| Outflows related to net pension and OPEB liabilities | <u>104,290</u>      | <u>126,849</u>      | <u>231,139</u>      |
| <b>LIABILITIES</b>                                   |                     |                     |                     |
| Current liabilities:                                 |                     |                     |                     |
| Accounts payable                                     | 5,405               | 72,862              | 78,267              |
| Other current liabilities                            | 7,459               | 23,709              | 31,168              |
| Customer deposits                                    | -                   | 96,835              | 96,835              |
| Long term debt - due within one year                 | <u>-</u>            | <u>77,500</u>       | <u>77,500</u>       |
| Total current liabilities                            | <u>12,864</u>       | <u>270,906</u>      | <u>283,770</u>      |
| Noncurrent liabilities:                              |                     |                     |                     |
| Long term debt - due in more than one year           | -                   | 944,406             | 944,406             |
| Accrued compensated absences                         | 3,799               | 6,975               | 10,774              |
| Net OPEB liability                                   | 100,674             | 115,543             | 216,217             |
| Net pension liability                                | <u>342,766</u>      | <u>396,343</u>      | <u>739,109</u>      |
| Total noncurrent liabilities                         | <u>447,239</u>      | <u>1,463,267</u>    | <u>1,910,506</u>    |
| Total liabilities                                    | <u>460,103</u>      | <u>1,734,173</u>    | <u>2,194,276</u>    |
| Deferred Inflows                                     |                     |                     |                     |
| Inflows related to net pension and OPEB liabilities  | <u>42,208</u>       | <u>51,519</u>       | <u>93,727</u>       |
| <b>NET POSITION</b>                                  |                     |                     |                     |
| Invested in capital assets, net of related debt      | 994,258             | 1,141,482           | 2,135,740           |
| Restricted   | 35,754              | 328,282             | 364,036             |
| Unrestricted   | <u>256,597</u>      | <u>(190,321)</u>    | <u>66,276</u>       |
| Total net position                                   | <u>\$ 1,286,609</u> | <u>\$ 1,279,443</u> | <u>\$ 2,566,052</u> |

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

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

| Program Activities                                   | Expenses     | Program Revenues     |                          |                          | Net (Expenses) Revenue and Changes in Net Position |                          |              |
|--|--------------|----------------------|--------------------------|--------------------------|--|--------------------------|--------------|
|  |              | Charges for Services | Operating                | Capital                  | Primary Government                                 |                          | Total        |
|  |              |                      | Grants and Contributions | Grants and Contributions | Governmental Activities                            | Business-Type Activities |              |
| Governmental Activities                              |              |                      |                          |                          |  |                          |              |
| General government                                   | \$ (278,666) | \$ 101               | \$ 5,130                 | \$ -                     | \$ (273,435)                                       | \$ -                     | \$ (273,435) |
| Police   | (95,733)     | -                    | 4,989                    | -                        | (90,744)   | -                        | (90,744)     |
| Fire   | (21,214)     | -                    | -                        | 11,000                   | (10,214)   | -                        | (10,214)     |
| Streets and maintenance                              | (15,729)     | -                    | 17,858                   | -                        | 2,129  | -                        | 2,129        |
| Parks and recreation                                 | (5,492)      | -                    | -                        | -                        | (5,492)  | -                        | (5,492)      |
| Depreciation (unallocated)                           | (51,130)     | -                    | -                        | -                        | (51,130)   | -                        | (51,130)     |
| Total governmental activities                        | (467,964)    | 101                  | 27,977                   | 11,000                   | (428,886)  | -                        | (428,886)    |
| Business-Type Activities                             |              |                      |                          |                          |  |                          |              |
| Water  | (735,635)    | 623,677              | -                        | -                        | -  | (111,958)                | (111,958)    |
| Sewer  | (200,243)    | 157,791              | -                        | -                        | -  | (42,452)                 | (42,452)     |
| Sanitation   | (44,298)     | 49,377               | -                        | -                        | -  | 5,079                    | 5,079        |
| Total Business-Type Activities                       | (980,176)    | 830,845              | -                        | -                        | -  | (149,331)                | (149,331)    |
| Total Government                                     | (1,448,140)  | 830,946              | 27,977                   | 11,000                   | (428,886)  | (149,331)                | (578,217)    |
| General Revenues:                                    |              |                      |                          |                          |  |                          |              |
| Property taxes, levied for general purposes          |              |                      |                          |                          | 99,924   | -                        | 99,924       |
| License fee and permits, levied for general purposes |              |                      |                          |                          | 136,524  | -                        | 136,524      |
| Insurance and other taxes                            |              |                      |                          |                          | 54,440   | -                        | 54,440       |
| Interest and investment earnings                     |              |                      |                          |                          | 475  | 1,082                    | 1,557        |
| Rental revenue                                       |              |                      |                          |                          | 11,300   | -                        | 11,300       |
| Gain on sale of property                             |              |                      |                          |                          | 28,299   | -                        | 28,299       |
| Miscellaneous revenue (expense)                      |              |                      |                          |                          | 4,149  | (50,063)                 | (45,914)     |
| Total General Revenues                               |              |                      |                          |                          | 335,111  | (48,981)                 | 286,130      |
| Change in Net Position                               |              |                      |                          |                          | (93,775)   | (198,312)                | (292,087)    |
| Net Position, Beginning of Year (Restated)           |              |                      |                          |                          | 1,380,384  | 1,477,755                | 2,858,139    |
| Net Position, End of Year                            |              |                      |                          |                          | \$ 1,286,609                                       | \$ 1,279,443             | \$ 2,566,052 |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Balance Sheet – Governmental Funds**  
**June 30, 2019**

|                                      | <u>General</u>    | <u>Municipal<br/>Road Aid</u> | <u>Total<br/>Governmental Funds</u> |
|--------------------------------------|-------------------|-------------------------------|-------------------------------------|
| <b>ASSETS</b>                        |                   |                               |                                     |
| Cash and cash equivalents            | \$ 543,660        | \$ 35,754                     | \$ 579,414                          |
| Receivables:                         |                   |                               |                                     |
| Property taxes - delinquent          | 7,640             | -                             | 7,640                               |
| Occupational taxes                   | 20,014            | -                             | 20,014                              |
| Prepaid Expense                      | 1,270             | -                             | 1,270                               |
| Due from enterprise                  | 82,034            | -                             | 82,034                              |
| Total assets                         | <u>\$ 654,618</u> | <u>\$ 35,754</u>              | <u>\$ 690,372</u>                   |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |                               |                                     |
| Liabilities:                         |                   |                               |                                     |
| Accounts payable                     | \$ 5,405          | \$ -                          | \$ 5,405                            |
| Accrued liabilities                  | <u>7,459</u>      | <u>-</u>                      | <u>7,459</u>                        |
| Total liabilities                    | <u>12,864</u>     | <u>-</u>                      | <u>12,864</u>                       |
| Fund Balances:                       |                   |                               |                                     |
| Restricted - Road Aid                | -                 | 35,754                        | 35,754                              |
| Unassigned                           | <u>641,754</u>    | <u>-</u>                      | <u>641,754</u>                      |
| Total fund balances                  | <u>641,754</u>    | <u>35,754</u>                 | <u>677,508</u>                      |
| Total Liabilities and Fund Balances  | <u>\$ 654,618</u> | <u>\$ 35,754</u>              | <u>\$ 690,372</u>                   |



**CITY OF LEWISBURG, KENTUCKY**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2019**

|   |                   |
|---|-------------------|
| <b>Total governmental fund balances</b> | <b>\$ 677,508</b> |
|---|-------------------|

*Amounts reported for governmental activities in the statement of net position are different because:*

|   |         |
|---|---------|
| Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. | 994,258 |
|---|---------|

|   |           |
|---|-----------|
| Net pension and OPEB liabilities and deferred inflows of resources are not due and payable in the current period and therefore not recorded in the fund financial | (485,648) |
|---|-----------|

|  |         |
|--|---------|
| Deferred outflows of resources are not current financial resources and not reported in the funds financial statements. | 104,290 |
|--|---------|

|   |                |
|---|----------------|
| Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements. | <u>(3,799)</u> |
|---|----------------|

|  |                            |
|--|----------------------------|
| <b>Net position of governmental activities</b> | <b><u>\$ 1,286,609</u></b> |
|--|----------------------------|

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

|  | General           | Municipal<br>Road Aid & LGEA | Total<br>Governmental Funds |
|--|-------------------|------------------------------|-----------------------------|
| Revenues:                                  |                   |                              |                             |
| Taxes                                      |                   |                              |                             |
| Property taxes                             | \$ 99,924         | \$ -                         | \$ 99,924                   |
| Occupational taxes                         | 86,537            | -                            | 86,537                      |
| Franchise taxes                            | 29,882            | -                            | 29,882                      |
| Licenses and fees                          | 20,105            | -                            | 20,105                      |
| Insurance tax                              | 54,440            | -                            | 54,440                      |
| Intergovernmental revenues                 | 21,119            | 17,858                       | 38,977                      |
| Rental                                     | 11,300            | -                            | 11,300                      |
| Other                                      | 4,250             | -                            | 4,250                       |
| Total revenues                             | <u>327,557</u>    | <u>17,858</u>                | <u>345,415</u>              |
| Expenditures:                              |                   |                              |                             |
| Current:                                   |                   |                              |                             |
| General government                         | 168,086           | -                            | 168,086                     |
| Police department                          | 95,733            | -                            | 95,733                      |
| Fire department                            | 21,214            | -                            | 21,214                      |
| Streets and maintenance                    | -                 | 15,729                       | 15,729                      |
| Parks and recreation                       | 5,492             | -                            | 5,492                       |
| Debt service:                              |                   |                              |                             |
| General government                         | 70,934            | -                            | 70,934                      |
| Capital outlay:                            |                   |                              |                             |
| General government                         | 3,000             | -                            | 3,000                       |
| Fire department                            | 12,294            | -                            | 12,294                      |
| Total expenditures                         | <u>376,753</u>    | <u>15,729</u>                | <u>392,482</u>              |
| Other financing sources (uses):            |                   |                              |                             |
| Interest income                            | 451               | 24                           | 475                         |
| Interest expense                           | (1,253)           | -                            | (1,253)                     |
| Proceeds from sale of property             | 152,328           | -                            | 152,328                     |
| Total other financing sources (uses)       | <u>151,526</u>    | <u>24</u>                    | <u>151,550</u>              |
| Excess (Deficiency) of Revenues            |                   |                              |                             |
| Over (Under) Expenditures                  | 102,330           | 2,153                        | 104,483                     |
| Fund Balances, Beginning of Year, Restated | 539,424           | 33,601                       | 573,025                     |
| Fund Balances, End of Year                 | <u>\$ 641,754</u> | <u>\$ 35,754</u>             | <u>\$ 677,508</u>           |

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

|   |                   |
|---|-------------------|
| <b>Net change in fund balances - total governmental funds</b> | <b>\$ 104,483</b> |
|---|-------------------|

*Amounts reported for governmental activities in the statement of activities are different because:*

|  |          |
|--|----------|
| Depreciation expense reported in statement of activities | (51,130) |
|--|----------|

|  |        |
|--|--------|
| Capital outlay reported in governmental expenditures | 15,294 |
|--|--------|

|  |           |
|--|-----------|
| Difference between proceeds from the sale of fixed assets and gain recognized in the statement of activities | (124,029) |
|--|-----------|

|                       |        |
|-----------------------|--------|
| Debt service payments | 70,934 |
|-----------------------|--------|

|  |                  |
|--|------------------|
| Excess of pension and OPEB expense reported in governmental activities over pension and OPEB benefits paid | <u>(109,327)</u> |
|--|------------------|

|  |                                  |
|--|----------------------------------|
| <b>Change in net position of governmental activities</b> | <b><u><u>\$ (93,775)</u></u></b> |
|--|----------------------------------|

**CITY OF LEWISBURG, KENTUCKY**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2019**

|  | Water        | Sewer       | Sanitation | Total        |
|--|--------------|-------------|------------|--------------|
| <b>ASSETS</b>  |              |             |            |              |
| Current assets:  |              |             |            |              |
| Cash and cash equivalents                              | \$ 298,328   | \$ 42,383   | \$ 47,338  | \$ 388,049   |
| Receivables (net of allowances for uncollectibles)     | 56,429       | 16,422      | 4,758      | 77,609       |
| Unbilled Revenue                                       | 23,900       | 5,886       | 2,312      | 32,098       |
| Prepaid expense  | 3,027        | -           | -          | 3,027        |
| Due from other funds                                   | 31,287       | -           | 2,100      | 33,387       |
| Inventory  | 3,185        | 973         | -          | 4,158        |
| Total current assets                                   | 416,156      | 65,664      | 56,508     | 538,328      |
| Noncurrent assets:                                     |              |             |            |              |
| Restricted assets                                      |              |             |            |              |
| Cash - Bond and interest fund                          | 56,584       | -           | -          | 56,584       |
| Cash - Depreciation fund                               | 212,198      | 59,500      | -          | 271,698      |
| Capital assets:  |              |             |            |              |
| Construction in process                                | -            | 54,106      | -          | 54,106       |
| Plant and equipment                                    | 3,700,028    | 2,022,137   | -          | 5,722,165    |
| Accumulated depreciation                               | (2,293,871)  | (1,295,303) | -          | (3,589,174)  |
| Total capital assets (net of accumulated depreciation) | 1,406,157    | 780,940     | -          | 2,187,097    |
| Total noncurrent assets                                | 1,674,939    | 840,440     | -          | 2,515,379    |
| Total assets   | \$ 2,091,095 | \$ 906,104  | \$ 56,508  | \$ 3,053,707 |
| Deferred Outflows                                      |              |             |            |              |
| Outflows related to net pension and OPEB liabilities   | 99,366       | 27,483      | -          | 126,849      |
| <b>LIABILITIES</b>                                     |              |             |            |              |
| Current liabilities:                                   |              |             |            |              |
| Accounts payable and accrued liabilities               | \$ 46,599    | \$ 18,707   | \$ 7,556   | \$ 72,862    |
| Due to other funds                                     | 50,745       | 49,842      | 14,834     | 115,421      |
| Customer deposits                                      | 96,835       | -           | -          | 96,835       |
| Accrued interest                                       | 23,709       | -           | -          | 23,709       |
| Debt payable, current portion                          | 77,500       | -           | -          | 77,500       |
| Total current liabilities                              | 295,388      | 68,549      | 22,390     | 386,327      |
| Noncurrent liabilities:                                |              |             |            |              |
| Accrued compensated absences                           | 5,589        | 1,386       | -          | 6,975        |
| Debt payable, net of current portion                   | 890,300      | 54,106      | -          | 944,406      |
| Net OPEB liability                                     | 90,551       | 24,992      | -          | 115,543      |
| Net pension liability                                  | 310,613      | 85,730      | -          | 396,343      |
| Total noncurrent liabilities                           | 1,297,053    | 166,214     | -          | 1,463,267    |
| Total liabilities                                      | 1,592,441    | 234,763     | 22,390     | 1,849,594    |
| Deferred Inflows                                       |              |             |            |              |
| Inflows related to net pension and OPEB liabilities    | 40,375       | 11,144      | -          | 51,519       |
| <b>NET POSITION</b>                                    |              |             |            |              |
| Invested in capital assets, net of related debt        | 414,648      | 726,834     | -          | 1,141,482    |
| Restricted for:  |              |             |            |              |
| Debt reserve   | 56,584       | -           | -          | 56,584       |
| Equipment replacement                                  | 212,198      | 59,500      | -          | 271,698      |
| Unrestricted   | (125,785)    | (98,654)    | 34,118     | (190,321)    |
| Total net position                                     | \$ 557,645   | \$ 687,680  | \$ 34,118  | \$ 1,279,443 |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2019**

|   | Water             | Sewer             | Sanitation       | Total               |
|---|-------------------|-------------------|------------------|---------------------|
| Operating revenues:                       |                   |                   |                  |                     |
| Operating revenue                         | 594,125           | 140,646           | 47,831           | 782,602             |
| Service fees                              | 14,921            | 967               | -                | 15,888              |
| Penalties                                 | 11,459            | 3,439             | 1,211            | 16,109              |
| Miscellaneous revenues                    | 3,172             | 12,739            | 335              | 16,246              |
| Total operating revenues                  | <u>623,677</u>    | <u>157,791</u>    | <u>49,377</u>    | <u>830,845</u>      |
| Operating expenses:                       |                   |                   |                  |                     |
| Sanitation contract                       | -                 | -                 | 44,298           | 44,298              |
| Purchased water                           | 249,028           | -                 | -                | 249,028             |
| Salaries and benefits                     | 205,233           | 58,131            | -                | 263,364             |
| Actuarial pension and OPEB expense        | 66,980            | 18,048            | -                | 85,028              |
| Payroll taxes                             | 11,706            | 3,227             | -                | 14,933              |
| Lab fees and chemicals                    | 1,324             | 31,191            | -                | 32,515              |
| Office expense                            | 16,431            | 1,536             | -                | 17,967              |
| Repairs and maintenance                   | 46,701            | 8,755             | -                | 55,456              |
| Insurance expense                         | 11,800            | 7,156             | -                | 18,956              |
| Utilities                                 | 19,316            | 25,114            | -                | 44,430              |
| Professional services                     | 7,650             | 6,030             | -                | 13,680              |
| Depreciation expense                      | 94,378            | 35,814            | -                | 130,192             |
| Miscellaneous expense                     | 5,088             | 5,241             | -                | 10,329              |
| Total operating expenses                  | <u>735,635</u>    | <u>200,243</u>    | <u>44,298</u>    | <u>980,176</u>      |
| Operating income (loss)                   | <u>(111,958)</u>  | <u>(42,452)</u>   | <u>5,079</u>     | <u>(149,331)</u>    |
| Non-operating revenues (expenses):        |                   |                   |                  |                     |
| Interest revenue                          | 1,034             | 48                | -                | 1,082               |
| Interest expense                          | (49,321)          | (742)             | -                | (50,063)            |
| Total non-operating revenues (expenses)   | <u>(48,287)</u>   | <u>(694)</u>      | <u>-</u>         | <u>(48,981)</u>     |
| Other financing sources (uses):           |                   |                   |                  |                     |
| Operating transfers in, net               | -                 | 18,387            | -                | 18,387              |
| Operating transfers out, net              | (18,387)          | -                 | -                | (18,387)            |
|   | <u>(18,387)</u>   | <u>18,387</u>     | <u>-</u>         | <u>-</u>            |
| Increase/(decrease) in net position       | (178,632)         | (24,759)          | 5,079            | (198,312)           |
| Net position, beginning of year, restated | 736,277           | 712,439           | 29,039           | 1,477,755           |
| Net position, end of year                 | <u>\$ 557,645</u> | <u>\$ 687,680</u> | <u>\$ 34,118</u> | <u>\$ 1,279,443</u> |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2019**

**Cash Flows from Operating Activities**

|   |                |
|---|----------------|
| Cash received from customers                      | \$ 817,674     |
| Cash payments to suppliers for goods and services | (456,606)      |
| Cash payments to employees for services           | (262,769)      |
| Cash payments to (from) other funds               | <u>12,775</u>  |
| Net Cash Provided (Used) by Operating Activities  | <u>111,074</u> |

**Cash Flows from Capital and Related Financing Activities**

|  |                  |
|--|------------------|
| Proceeds from issuance of debt                                       | 54,106           |
| Addition to capital assets   | (56,606)         |
| Interest paid on long-term debt                                      | (51,617)         |
| Payments on long-term debt   | <u>(72,900)</u>  |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(127,017)</u> |

**Cash Flows from Investing Activities**

|  |              |
|--|--------------|
| Interest revenue                                 | <u>1,082</u> |
| Net Cash Provided (Used) by Investing Activities | <u>1,082</u> |

Net Increase (Decrease) in Cash and Cash Equivalents (14,861)

Cash and Cash Equivalents, Beginning of Year 731,192

**Cash and Cash Equivalents, End of Year** \$ 716,331

**Reconciliation of Income (Loss) from Operations to Net Cash  
Provided (Used) by Operating Activities**

|  |                          |
|--|--------------------------|
| Income (loss) from operations  | \$ (149,331)             |
| Adjustments to reconcile operating income (loss) from<br>operations to net cash provided (used) by operating activities: |                          |
| Depreciation   | 130,192                  |
| Actuarial pension/OPEB expense   | 85,028                   |
| Change in assets and liabilities:  |                          |
| (Increase) decrease in accounts receivable   | (16,226)                 |
| (Increase) decrease in prepaid expense   | 67                       |
| (Increase) decrease in inventory   | 13,962                   |
| Increase (decrease) in accounts payable and accrued liabilities  | 31,552                   |
| Increase (decrease) in due to other funds  | 12,775                   |
| Increase (decrease) in customer deposits   | <u>3,055</u>             |
| Net Cash Provided (Used) by Operating Activities   | <u><u>\$ 111,074</u></u> |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies**

Organization:

The City of Lewisburg, Kentucky, (the “City”) was founded in 1879 and operated under Kentucky Revised Statutes, as amended. The City operated under a Mayor-Council form of government and provides the following services, public safety (police and fire), highways and streets, sanitation, public improvements, water and sewer services and general administrative services.

Financial Statement Presentation:

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial principles. The City has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Basis of Presentation – Fund Accounting:

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

Fund Accounting:

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City has two categories of funds: governmental and proprietary.

**Governmental Funds** – Governmental funds are those for which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – A Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. The following is the special revenue fund of the City of Lewisburg:

The Municipal Road Aid and LGEA Fund is used to account for financial resources to be used for future construction and repairs of roadways and sidewalks.

**Proprietary Funds** – Proprietary fund reporting focuses on changes in net assets, financial position, and cash flows. The City's proprietary funds are classified as enterprise funds.

Water, Sewer and Sanitation Fund – These funds are used to account for the receipt and disbursement of the water, sewer, and sanitation operations of the City.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Net Position:

Net position classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City had no nonspendable resources as of June 30, 2019.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the other resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City had restricted resources of \$35,754 at June 30, 2019.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes all amounts not included in other spendable classifications.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Cash and Investments:

The City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Accounts Receivable:

Accounts receivable are stated at the amount billed to customers. Operating revenues of the proprietary funds are recognized on the basis of cycle billings rendered monthly. Customers are required to prepay deposits when they begin to incur service. Management believes these deposits are sufficient to recover any bad debts before service is terminated. As of June 30, 2019, the allowance for bad debts is \$0.

Extraordinary and Special Items:

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses, and changes in net position.

Pension and OPEB

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.ky.gov](http://www.kyret.ky.gov). KRS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The cost of additions to capital assets and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives of capital assets are as follows:

|                                     |               |
|-------------------------------------|---------------|
| Buildings and improvements          | 10 - 40 years |
| Land improvements                   | 15 - 40 years |
| Infrastructure                      | 12 - 25 years |
| Vehicles                            | 7 - 20 years  |
| Furniture, machinery, and equipment | 5 - 10 years  |

Budgets and Budgetary Accounting:

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

1. The Mayor submits an annual budget to the City Council 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 held to address priorities and the allocation of resources.
3. The budget is legally enacted through passage of an ordinance.
4. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Use of Estimates:

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded**

Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation and personal days.

Employees earn five days of vacation time after being employed one year. Upon completion of the second year of employment, vacation time increases to two weeks and increases to three weeks upon completion of ten years employment. The city allows employees six sick days and three personal days per year. Upon termination of employment, accumulated sick leave has no monetary value.

Property Taxes:

Property taxes are assessed January 1 of each year. The City does not have an enforceable legal claim to the taxes until one year from that date. The levy is normally set during the September city council meeting. Assuming property tax bills are timely mailed, the collection date is the period from the levy date through December 31. It is further provided that a two percent discount shall be given on all payments made in full on or before November 30. A five percent penalty will be added to all taxes paid between January 1 and January 31 and a 10 percent penalty is added for payments made after January 31. Such delinquent tax payer shall also pay all costs and expenses incidental to any action taken by the City for the collection of such delinquent tax bill.

**Note 2 – Cash and Investments**

Deposits:

At year end, the carrying amount of the City's cash deposits were \$1,295,745 and the bank balance was \$1,304,223. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank as of June 30, 2019. It is the city's policy, as required by state statute, for deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. All cash deposits of the City were fully insured by FDIC or pledged securities of the financial institution at June 30, 2019.

Investments:

The City is authorized to invest in: (1) obligations of the United States and of its agencies and instrumentalities; (2) bonds or certificates of indebtedness of this state and of 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; and (4) interest-bearing deposits in national 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 larger amounts providing such banks shall pledge as security obligations of the United States government, its agencies and instrumentalities.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 2 – Cash and Investments, Concluded**

Sinking Fund

The ordinances authorizing water bond issues of the City require monthly transfers into bond sinking funds as follows: (1) one-sixth of the next semiannual interest installment to become due on the bonds then outstanding, plus (2) one-twelfth of the next annual principal payment to become due on the bonds then outstanding. For the year ended June 30, 2019 the City had not complied with this requirement.

**Note 3 – Property Taxes**

The 2018 tax rate was \$.477 per \$100 assessed valuation for real estate and \$.477 per \$100 assessed valuation for tangible property. The City is permitted by the State Constitution to levy taxes up to \$.75 per \$100 assessed valuation; however, according to statutes, the City may not increase the tax rate on real property by more than 4% per year (exclusive of assessment growth) without obtaining consent through referendum.

Motor vehicle taxes with a 2018 tax rate of \$.21 per \$100 assessed valuation are due and collected in the birth month of the vehicles licensee. They are collected by the County Clerk of Logan County and remitted to the City monthly.

**Note 4 – Interfund Transactions**

Interfund payables and receivables at year end are for reimbursements payable from the Water and Sewer fund to the General fund. Operating transfers during the year consisted of transfers from the water fund to the sewer fund for operating costs.

**Note 5 – Joint Venture**

In 1972, the City of Lewisburg and the City of Russellville entered into an agreement to purchase Spa Lake jointly. The division of interest was determined to be 20% and 80%, respectively. City of Lewisburg granted City of Russellville the authority to manage and control the property in order to secure financing from REDA.

**Note 6 – Commitments**

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

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 7 – Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

|  | Balance<br>June 30, 2018 | Additions          | Deletions           | Balance<br>June 30, 2019 |
|--|--------------------------|--------------------|---------------------|--------------------------|
| <b>Governmental Activities</b>               |                          |                    |                     |                          |
| <i>Capital assets, not being depreciated</i> |                          |                    |                     |                          |
| Land   | \$ 108,269               | \$ 3,000           | \$ -                | \$ 111,269               |
| Total capital assets, not being depreciated  | <u>108,269</u>           | <u>3,000</u>       | <u>-</u>            | <u>111,269</u>           |
| <i>Capital assets, being depreciated</i>     |                          |                    |                     |                          |
| Buildings                                    | 946,376                  | -                  | (150,000)           | 796,376                  |
| Infrastructure                               | 607,859                  | -                  | -                   | 607,859                  |
| Machinery and equipment                      | 542,931                  | 12,294             | -                   | 555,225                  |
| Total capital assets, being depreciated      | <u>2,097,166</u>         | <u>12,294</u>      | <u>(150,000)</u>    | <u>1,959,460</u>         |
| <i>Less: accumulated depreciation</i>        |                          |                    |                     |                          |
| Buildings                                    | (177,987)                | (18,818)           | 25,971              | (170,834)                |
| Infrastructure                               | (461,523)                | (10,613)           | -                   | (472,136)                |
| Machinery and equipment                      | (411,802)                | (21,699)           | -                   | (433,501)                |
| Total accumulated depreciation               | <u>(1,051,312)</u>       | <u>(51,130)</u>    | <u>25,971</u>       | <u>(1,076,471)</u>       |
| Total capital assets, being depreciated, net | <u>1,045,854</u>         | <u>(38,836)</u>    | <u>(124,029)</u>    | <u>882,989</u>           |
| Governmental activities capital assets, net  | <u>\$ 1,154,123</u>      | <u>\$ (35,836)</u> | <u>\$ (124,029)</u> | <u>\$ 994,258</u>        |
| <br>   |                          |                    |                     |                          |
|  | Balance<br>June 30, 2018 | Additions          | Deletions           | Balance<br>June 30, 2019 |
| <b>Business-Type Activities</b>              |                          |                    |                     |                          |
| <i>Capital assets, not being depreciated</i> |                          |                    |                     |                          |
| Land   | \$ 74,398                | \$ -               | \$ -                | \$ 74,398                |
| Sewer Construction in Progress               | -                        | 54,106             | -                   | 54,106                   |
| Total capital assets, not being depreciated  | <u>74,398</u>            | <u>54,106</u>      | <u>-</u>            | <u>128,504</u>           |
| <i>Capital assets, being depreciated</i>     |                          |                    |                     |                          |
| Buildings                                    | 113,224                  | -                  | -                   | 113,224                  |
| Machinery and equipment                      | 230,330                  | 2,500              | (19,939)            | 212,891                  |
| Water Distribution                           | 3,390,656                | -                  | -                   | 3,390,656                |
| Sewer Distribution                           | 1,911,057                | -                  | -                   | 1,911,057                |
| Total capital assets, being depreciated      | <u>5,645,267</u>         | <u>2,500</u>       | <u>(19,939)</u>     | <u>5,627,828</u>         |
| <i>Less: accumulated depreciation</i>        |                          |                    |                     |                          |
| Buildings                                    | (48,704)                 | (4,704)            | -                   | (53,408)                 |
| Machinery and equipment                      | (193,087)                | (9,248)            | 19,939              | (182,396)                |
| Water Distribution                           | (1,995,024)              | (83,752)           | -                   | (2,078,776)              |
| Sewer Distribution                           | (1,222,167)              | (32,488)           | -                   | (1,254,655)              |
| Total accumulated depreciation               | <u>(3,458,982)</u>       | <u>(130,192)</u>   | <u>19,939</u>       | <u>(3,569,235)</u>       |
| Total capital assets, being depreciated, net | <u>2,186,285</u>         | <u>(127,692)</u>   | <u>-</u>            | <u>2,058,593</u>         |
| Business-type activities capital assets, net | <u>\$ 2,260,683</u>      | <u>\$ (73,586)</u> | <u>\$ -</u>         | <u>\$ 2,187,097</u>      |

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 8 – Pension Plan**

The City participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.ky.gov](http://www.kyret.ky.gov). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by the state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit. For retirement purposes, employees are grouped into three tiers, based on hire date:

|        |                      |  |
|--------|----------------------|--|
| 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<br>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<br>Or age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | Not available  |

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 8 – Pension Plan, Continued**

Required contributions by the employee are based on the tier:

|        | Non-Hazardous<br>Required Contribution | Hazardous<br>Required Contribution |
|--------|--|------------------------------------|
| Tier 1 | 5%                                     | 8%                                 |
| Tier 2 | 5% + 1% for insurance                  | 8% + 1% for insurance              |
| Tier 3 | 5% + 1% for insurance                  | 8% + 1% for insurance              |

Employer contribution rates for CERS are determined by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. Employee contribution rates are set by state statute.

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability for CERS.

City's proportionate share of the CERS net pension liability      \$739,109

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the City's proportion was .008417% for non-hazardous pension and .009365% for hazardous pension.

For the year ended June 30, 2019, the City recognized pension expense of \$242,308. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows of Resources</u> |                  | <u>Deferred Inflows of Resources</u> |                  |
|---|---------------------------------------|------------------|--------------------------------------|------------------|
|   | Non-Hazardous                         | Hazardous        | Non-Hazardous                        | Hazardous        |
| Difference between expected and actual experience in measurement of the pension liability                     | \$ 8,952                              | \$ 9,046         | \$ 7,504                             | \$ -             |
| Changes in assumptions  | 26,822                                | 12,100           | -                                    | -                |
| Net difference between projected and actual earnings on pension plan investments                              | 12,762                                | 4,213            | 29,984                               | 10,950           |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 28,302                                | 6,317            | 810                                  | 2,142            |
| City contributions subsequent to the measurement date   | 35,406                                | 13,029           | -                                    | -                |
|   | <u>\$ 112,244</u>                     | <u>\$ 44,705</u> | <u>\$ 38,298</u>                     | <u>\$ 13,092</u> |



**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 8 – Pension Plan, Continued**

The fiscal year 2019 CERS employer contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows related to pensions will be amortized and recognized in pension expense as follows:

| <u>Year Ended</u> | <u>Net Deferred<br/>Outflows/(Inflows)</u> |
|-------------------|--|
| 2020              | \$ 59,102                                  |
| 2021              | 1,797                                      |
| 2022              | (3,775)                                    |
| 2023              | -  |
| 2024              | -  |
| Total             | <u>\$ 57,124</u>                           |

*Actuarial assumptions:* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   |       |
|---|-------|
| Inflation   | 2.30% |
| Projected salary increases  | 3.05% |
| Investment rate of return, net of pension plan investment<br>expense, including inflation | 6.25% |

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

*Discount rate:* The discount rate used to measure the total pension liability was 6.25% for the year ended June 30, 2018.

*Projected cash flows:* The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 8 – Pension Plan, Continued**

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

*Municipal bond rate:* The discount rate determination does not use a municipal bond rate.

*Periods of projected benefit payments:* Projected future benefit payments for all current plan members were projected through 2117.

*Assumed Asset Allocation:* The target asset allocation and best estimates for arithmetic real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>      | <b>Target Allocation</b> | <b>Long-term expected real rate of return</b> |
|-------------------------|--------------------------|---|
| US Large Cap            | 5.00%                    | 4.50%   |
| US Mid Cap              | 6.00%                    | 4.50%   |
| US Small Cap            | 6.50%                    | 5.50%   |
| International Developed | 12.50%                   | 6.50%   |
| Emerging Markets        | 5.00%                    | 7.25%   |
| Global Bonds            | 4.00%                    | 3.00%   |
| Global IG Credit        | 2.00%                    | 3.75%   |
| High Yield              | 7.00%                    | 5.50%   |
| EMD                     | 5.00%                    | 6.00%   |
| Illiquid Private        | 10.00%                   | 8.50%   |
| Private Equity          | 10%                      | 6.50%   |
| Real Estate             | 5.00%                    | 9.00%   |
| Absolute Return         | 10.00%                   | 5.00%   |
| Real Return             | 10.00%                   | 7.00%   |
| Cash                    | 2.00%                    | 1.50%   |
|                         | 100.00%                  |   |

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 8 – Pension Plan, Concluded**

*Sensitivity Analysis:* The following table presents the net pension liability of the City, calculated using the discount rates selected by CERS, 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 and 1-percentage point higher than the current rate:

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| CERS  | 5.25%       | 6.25%                    | 7.25%       |
| City's proportionate share<br>of net pension liability- Hazardous     | \$283,775   | \$226,488                | \$179,130   |
| City's proportionate share<br>of net pension liability- Non-Hazardous | \$645,337   | \$512,621                | \$401,428   |

*Pension plan fiduciary net position*—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS. The effect of the net pension liability on the City's net position has been determined on the same basis used by KRS.

Non-hazardous employees are required to contribute 5% while hazardous employees contribute 8% of gross compensation to the plan. New members hired after July 1, 2008 are required to contribute an additional 1% to the plan. The Board of Trustees of KRS determines the City's required contribution annually, 16.22% for pension and 5.26% for OPEB of non-hazardous employees and 24.86% for pension and 10.47% for OPEB of hazardous employees for the year ended June 30, 2019. The City's covered payroll was approximately \$282,000 and the City contributed approximately \$65,000 while employees contributed approximately \$16,000 for the year ended June 30, 2019.

**Note 9 – Other Post-Employment Benefits (OPEB)**

Effective July 1, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The objective of this Statement is to address accounting and financial reporting for Other Post-Employment Benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports.

*Plan Description:* The City participates in Kentucky Retirement Systems' Insurance Fund, which is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 9 – Other Post-Employment Benefits (OPEB), Continued**

*Benefits Provided:* The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using these updated provisions.

*Contributions:* The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

| <b>Portion Paid by Insurance Fund</b> |                                   | <b>Dollar Contribution for Fiscal Year 2018</b>               |                           |
|---------------------------------------|-----------------------------------|---|---------------------------|
| <u>Years of Service</u>               | <u>Paid by Insurance Fund (%)</u> | <u>For Member participation date on or after July 1, 2003</u> |                           |
|                                       |                                   | <u>System</u>   | <u>(in whole dollars)</u> |
| 20+ years                             | 100.00%                           | KERS Non-hazardous  | \$13.38                   |
| 15-19 years                           | 75.00%                            | KERS Hazardous  | \$20.07                   |
| 10-14 years                           | 50.00%                            | CERS Non-hazardous  | \$13.38                   |
| 4-9 years                             | 25.00%                            | CERS Hazardous  | \$20.07                   |
| Less than 4 years                     | 0.00%                             | SPRS  | \$20.07                   |

Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 9 – Other Post-Employment Benefits (OPEB), Continued**

Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

*OPEB Plan Fiduciary Net Position:* Detailed information about the Plan's fiduciary net position is available in the separately issued KRS financial statements.

At June 30, 2019, the City reported a liability of \$216,217 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. At June 30, 2018, the City's proportionate share was .008417% for non-hazardous and 0.009366% for hazardous.

As a result of its requirement to contribute to the Plan, the City recognized OPEB expense of \$16,628 for the year ended June 30, 2019 and reported deferred inflows and deferred outflows of resources from the following sources.

|  | Deferred Outflows<br>of Resources |                  | Deferred Inflows<br>of Resources |                  |
|--|-----------------------------------|------------------|----------------------------------|------------------|
|  | Non-<br>Hazardous                 | Hazardous        | Non-<br>Hazardous                | Hazardous        |
| Differences between expected and actual experience   | \$ -                              | \$ -             | \$ 17,416                        | \$ 7,462         |
| Changes of assumptions   | 26,808                            | 15,207           | 345                              | 183              |
| Net difference between projected and actual earnings on<br>Plan investments  | -                                 | -                | 10,294                           | 6,348            |
| Change in proportion and differences between employer<br>contribution and proportionate share of plan contribution | 13,631                            | 4,545            | 279                              | 10               |
| City contributions subsequent to the measurement date  | 9,391                             | 4,608            | -                                | -                |
|  | <u>\$ 49,830</u>                  | <u>\$ 24,360</u> | <u>\$ 28,334</u>                 | <u>\$ 14,003</u> |

The deferred outflows resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

| Year Ended | Net Deferred<br>Outflows/(Inflows) |
|------------|------------------------------------|
| 2020       | \$ 8,323                           |
| 2021       | 4,637                              |
| 2022       | 3,900                              |
| 2023       | 1,201                              |
| 2024       | (208)                              |
|            | <u>\$ 17,853</u>                   |

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 9 – Other Post-Employment Benefits (OPEB), Continued**

*Actuarial Assumptions:* The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018 using generally accepted actuarial principles. The KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2018.

|                           |       |
|---------------------------|-------|
| Assumed investment return | 6.25% |
| Inflation factor          | 2.30% |
| Payroll growth            | 2.00% |

Mortality rates were based on the RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).

The long-term expected rate of return was determined by using a building-block method in which the best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table.

| <b>Asset Class</b>      | <b>Target Allocation</b> | <b>Long-term expected real rate of return</b> |
|-------------------------|--------------------------|---|
| US Large Cap            | 5.00%                    | 4.50%   |
| US Mid Cap              | 6.00%                    | 4.50%   |
| US Small Cap            | 6.50%                    | 5.50%   |
| International Developed | 12.50%                   | 6.50%   |
| Emerging Markets        | 5.00%                    | 7.25%   |
| Global Bonds            | 4.00%                    | 3.00%   |
| Global IG Credit        | 2.00%                    | 3.75%   |
| High Yield              | 7.00%                    | 5.50%   |
| EMD                     | 5.00%                    | 6.00%   |
| Illiquid Private        | 10.00%                   | 8.50%   |
| Private Equity          | 10%                      | 6.50%   |
| Real Estate             | 5.00%                    | 9.00%   |
| Absolute Return         | 10.00%                   | 5.00%   |
| Real Return             | 10.00%                   | 7.00%   |
| Cash                    | <u>2.00%</u>             | 1.50%   |
|                         | 100.00%                  |   |

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 9 – Other Post-Employment Benefits (OPEB), Concluded**

*Discount Rate:* The single discount rate of 5.85% for Non-hazardous was used to measure the total OPEB liability as of June 30, 2018. For both hazardous and non-hazardous groups, the single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2017. The following presents the City's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

| Sensitivity of the Net OPEB Liability to Changes in the Discount Rate |                      |         |                  |
|---|----------------------|---------|------------------|
| CERS--  | <u>Non-hazardous</u> |         | <u>Hazardous</u> |
| 1% Decrease, 4.85%  | \$                   | 194,101 | \$ 92,822        |
| Current Discount Rate 5.85%   | \$                   | 149,442 | \$ 66,775        |
| 1% Increase, 6.85%  | \$                   | 111,401 | \$ 45,925        |

*Healthcare Trend Rate:* The initial trend rate for participants under 65 years of age starts at 7.5% and gradually decreases to an ultimate trend rate of 5.0% over a period of 5 years. For those over 65 years of age the trend rate starts at 5.5% and gradually decreases to an ultimate trend rate of 5.0% over a period of 2 years. The following table presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

| Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate |                      |         |                  |
|--|----------------------|---------|------------------|
| CERS--   | <u>Non-hazardous</u> |         | <u>Hazardous</u> |
| 1% Decrease  | \$                   | 111,261 | \$ 45,478        |
| Current Healthcare Cost Trend Rate   | \$                   | 149,442 | \$ 66,775        |
| 1% Increase  | \$                   | 194,447 | \$ 93,155        |

KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601 or online at [www.kyret.ky.gov](http://www.kyret.ky.gov)

**Note 10 – Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City reported \$231,139 in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reported \$93,727 in this category.

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 11 – Long-Term Debt**

Long-term debt of the proprietary fund at June 30, 2019 consisted of the following:

|  |                          |
|--|--------------------------|
| Series 1989 Water System Bond payable to USDA Rural Development in the amount of \$511,000, maturing January 2029 with interest rate of 5.0% due semiannually in January and July.                           | \$ 233,800               |
| Series 1990 Water System Bond payable to USDA Rural Development in the amount of \$546,000, maturing January 2030 with interest rate of 5.0% due semiannually in January and July.                           | 265,000                  |
| Series 1999 Water System Bond payable to USDA Rural Development in the amount of \$140,000, maturing January 2038 with interest rate of 4.5% due semiannually in January and July.                           | 97,500                   |
| Series 2002 Water System Bond payable to Kentucky Rural Water Finance Corportaiion in the amount of \$617,000, maturing January 2026 with interest rate of 3.15%-5.15% due semiannually in January and July. | 227,000                  |
| Series 2003 Water System Bond payable to USDA Rural Development in the amount of \$178,000, maturing January 2043 with interest rate of 4.25% due semiannually in January and July.                          | <u>144,500</u>           |
| Total Water Bonds payable  | <u><u>\$ 967,800</u></u> |

The City was approved for a loan in the amount of \$250,000 from Kentucky Infrastructure Authority for a sewer system upgrade. Interest of 2.75% is due semiannually in June and December. As of June 30, 2019, only \$54,106 of the funds had been disbursed to the City.

|                        | <b>ACTIVITY</b>          |                  |                                 |                          |                               |
|------------------------|--------------------------|------------------|---------------------------------|--------------------------|-------------------------------|
|                        | Balance<br>June 30, 2018 | Additions        | Debt Payments<br>and Reductions | Balance<br>June 30, 2019 | Amount Due<br>within One Year |
| Water Bond Series 1989 | 251,500                  | -                | (17,700)                        | 233,800                  | 18,600                        |
| Water Bond Series 1990 | 283,000                  | -                | (18,000)                        | 265,000                  | 19,000                        |
| Water Bond Series 1999 | 100,700                  | -                | (3,200)                         | 97,500                   | 3,400                         |
| Water Bond Series 2002 | 258,000                  | -                | (31,000)                        | 227,000                  | 33,000                        |
| Water Bond Series 2003 | 147,500                  | -                | (3,000)                         | 144,500                  | 3,500                         |
| Sewer KIA Loan         | -                        | 54,106           | -                               | 54,106                   | -                             |
|                        | <u>\$ 1,040,700</u>      | <u>\$ 54,106</u> | <u>\$ (72,900)</u>              | <u>\$ 1,021,906</u>      | <u>\$ 77,500</u>              |



**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 11 – Long-Term Debt, Concluded**

Future maturities of long-term debt for the proprietary fund are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>     |
|--------------------|-------------------|-------------------|------------------|
| 2020               | 77,500            | 45,081            | 122,581          |
| 2021               | 80,500            | 41,191            | 121,691          |
| 2022               | 84,700            | 37,101            | 121,801          |
| 2023               | 85,300            | 32,867            | 118,167          |
| 2024               | 92,600            | 28,414            | 121,014          |
| 2025-2029          | 358,100           | 83,043            | 441,143          |
| 2030-2034          | 88,100            | 29,127            | 117,227          |
| 2035-2039          | 64,000            | 14,412            | 78,412           |
| 2040-2044          | 37,000            | 3,251             | 40,251           |
|                    | <u>\$ 967,800</u> | <u>\$ 314,487</u> | <u>1,282,287</u> |

Long term debt of the governmental fund consisted of a note payable to the Kentucky League of Cities originating in May 2009 for acquisition and renovation of City buildings. The note was paid in full using proceeds from the sale of the Community building during the year ended June 30, 2019.

|                  | <u>Balance</u><br><u>June 30, 2018</u> | <u>Additions</u> | <u>Debt Payments</u><br><u>and Reductions</u> | <u>Balance</u><br><u>June 30, 2019</u> | <u>Amount Due</u><br><u>within One Year</u> |
|------------------|--|------------------|---|--|---|
| Note payable-KLC | \$ 70,934                              | \$ -             | \$ (70,934)                                   | \$ -                                   | \$ -  |
|                  | <u>\$ 70,934</u>                       | <u>\$ -</u>      | <u>\$ (70,934)</u>                            | <u>\$ -</u>                            | <u>\$ -</u>                                 |

**Note 12 – Restatement**

Governmental net position at the beginning of the year has been adjusted for a correction of error related to receivables as well as for a change in accounting principle to recognize the Net OPEB liability as required by GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions. The changes had the following effect on governmental net position:

|                                     | <u>Governmental</u> |
|-------------------------------------|---------------------|
| Net position as previously reported | \$ 1,440,322        |
| Receivables                         | 23,144              |
| Net OPEB liability                  | (83,082)            |
| Net position as restated            | <u>\$ 1,380,384</u> |

Proprietary net position at the beginning of the year has been adjusted for a change in accounting principle to recognize the Net OPEB liability as required by GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions. The changes had the following effect on proprietary net position:

|                                     | <u>Proprietary</u>  |
|-------------------------------------|---------------------|
| Net position as previously reported | \$ 1,578,555        |
| Net OPEB liability                  | (100,800)           |
| Net position as restated            | <u>\$ 1,477,755</u> |

**CITY OF LEWISBURG, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 13 – Risk Management - Insurance**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, job related illnesses or injuries to employees, and natural disasters. The City carries commercial insurance for all of these risks of loss.

**Note 14 – Economic Dependency**

The City is under contract to purchase its water from the Logan Todd Regional Water District. The Water District provides water to governmental entities at wholesale price.

**Note 15 – Subsequent Events**

The City has evaluated subsequent events through March 5, 2020, the date which the financial statements were available to be issued. In December 2019, the City received preliminary approval for a Community Development Block Grant in the amount of \$750,000 to be spent on the sewer system upgrade project.

## **Required Supplementary Information**

**CITY OF LEWISBURG, KENTUCKY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – General and Special Revenue Funds**  
**For the Year Ended June 30, 2019**

|   | General           |                   |                   |                     | Municipal Road Aid and LGEA |                  |                  |                     |
|---|-------------------|-------------------|-------------------|---------------------|-----------------------------|------------------|------------------|---------------------|
|   | Budgeted Amounts  |                   | Actual            | Final Budget        | Budgeted Amounts            |                  | Actual           | Final Budget        |
|   | Original          | Final             | Amounts           | Positive (Negative) | Original                    | Final            | Amounts          | Positive (Negative) |
| REVENUES:                                       |                   |                   |                   |                     |                             |                  |                  |                     |
| Taxes:  |                   |                   |                   |                     |                             |                  |                  |                     |
| Property  | \$ 90,000         | \$ 90,000         | \$ 99,924         | \$ 9,924            | \$ -                        | \$ -             | \$ -             | \$ -                |
| Other   | 174,000           | 174,000           | 170,859           | (3,141)             | -                           | -                | -                | -                   |
| Licenses and Fees                               | 5,175             | 5,175             | 20,105            | 14,930              | -                           | -                | -                | -                   |
| Intergovernmental revenues                      | 40,010            | 40,010            | 21,119            | (18,891)            | 15,720                      | 15,750           | 17,858           | 2,108               |
| Miscellaneous                                   | 11,300            | 11,300            | 168,329           | 157,029             | -                           | -                | 24               | 24                  |
| Total revenues                                  | <u>320,485</u>    | <u>320,485</u>    | <u>480,336</u>    | <u>159,851</u>      | <u>15,720</u>               | <u>15,750</u>    | <u>17,882</u>    | <u>2,132</u>        |
| EXPENDITURES:                                   |                   |                   |                   |                     |                             |                  |                  |                     |
| General government                              | 183,402           | 183,402           | 243,273           | (59,871)            | -                           | -                | -                | -                   |
| Police department                               | 113,083           | 113,083           | 95,733            | 17,350              | -                           | -                | -                | -                   |
| Fire department                                 | 43,300            | 43,300            | 33,508            | 9,792               | -                           | -                | -                | -                   |
| Streets and highways                            | -                 | -                 | -                 | -                   | 34,000                      | 34,000           | 15,729           | 18,271              |
| Parks and recreation                            | 45,700            | 45,700            | 5,492             | 40,208              | -                           | -                | -                | -                   |
| Total expenditures                              | <u>385,485</u>    | <u>385,485</u>    | <u>378,006</u>    | <u>7,479</u>        | <u>34,000</u>               | <u>34,000</u>    | <u>15,729</u>    | <u>18,271</u>       |
| Excess of revenues over<br>(under) expenditures | (65,000)          | (65,000)          | 102,330           | 167,330             | (18,280)                    | (18,250)         | 2,153            | 20,403              |
| Fund balance - beginning                        | <u>539,424</u>    | <u>539,424</u>    | <u>539,424</u>    | -                   | <u>33,601</u>               | <u>33,601</u>    | <u>33,601</u>    | -                   |
| Fund balance - ending                           | <u>\$ 474,424</u> | <u>\$ 474,424</u> | <u>\$ 641,754</u> | <u>\$ 167,330</u>   | <u>\$ 15,321</u>            | <u>\$ 15,351</u> | <u>\$ 35,754</u> | <u>\$ 20,403</u>    |

**CITY OF LEWISBURG, KENTUCKY**  
**Schedules of the City's Proportionate Share of the Net Pension Liability - CERS**  
**For the Years Ended June 30**

|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| City's portion of the net pension liability-hazardous   | 0.009366%            | 0.008290%            | 0.008408%            | 0.008933%            | 0.009363%            |
| City's portion of the net pension liability-non-hazardous   | 0.008417%            | 0.007409%            | 0.006410%            | 0.006587%            | 0.007420%            |
| City's proportionate share of net pension liability   | \$ 739,109           | \$ 619,083           | \$ 459,859           | \$ 420,349           | \$ 353,552           |
| City's covered-employee payroll   | \$ 282,000           | \$ 260,788           | \$ 225,888           | \$ 195,477           | \$ 203,265           |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 262.10%              | 237.39%              | 203.58%              | 215.04%              | 173.94%              |
| Plan fiduciary net position as a percentage of the total pension liability-hazardous                    | 49.26%               | 49.80%               | 53.95%               | 57.52%               | 63.46%               |
| Plan fiduciary net position as a percentage of the total pension liability-non-hazardous                | 53.54%               | 53.30%               | 55.50%               | 59.97%               | 66.80%               |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Schedules of the City's Pension Contributions - CERS**  
**For the Years Ended June 30**

|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                     | \$ 48,435            | \$ 42,081            | \$ 35,220            | \$ 40,295            | \$ 45,359            |
| Contributions in relation to the contractually<br>required contribution | <u>(48,435)</u>      | <u>(42,081)</u>      | <u>(35,220)</u>      | <u>(40,295)</u>      | <u>(45,359)</u>      |
|   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| City's covered-employee payroll   | \$ 282,000           | \$ 260,788           | \$ 225,888           | \$ 195,477           | \$ 203,265           |
| Contributions as a percentage of covered-<br>employee payroll           | 17.18%               | 16.14%               | 15.59%               | 20.61%               | 22.32%               |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Schedules of the City's Proportionate Share of the Net OPEB Liability - CERS**  
**For the Years Ended June 30**

|  | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--|----------------------|----------------------|
| City's portion of the net OPEB liability-hazardous   | 0.009366%            | 0.008290%            |
| City's portion of the net OPEB liability-non-hazardous   | 0.008417%            | 0.007408%            |
| City's proportionate share of net<br>OPEB liability  | \$ 216,217           | \$ 261,706           |
| City's covered-employee payroll  | \$ 282,000           | \$ 260,788           |
| City's proportionate share of the net<br>OPEB liability as a percentage of its<br>covered-employee payroll | 76.67%               | 100.35%              |
| Plan fiduciary net position as a<br>percentage of the total OPEB liability-hazardous                       | 64.24%               | 58.99%               |
| Plan fiduciary net position as a<br>percentage of the total OPEB liability-non-hazardous                   | 57.62%               | 52.40%               |

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

**CITY OF LEWISBURG, KENTUCKY**  
**Schedules of the City's OPEB Contributions - CERS**  
**For the Years Ended June 30**

|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|
| Contractually required contribution                                     | \$ 16,145            | \$ 10,967            |
| Contributions in relation to the contractually<br>required contribution | <u>(16,145)</u>      | <u>(10,967)</u>      |
|   | <u>\$ -</u>          | <u>\$ -</u>          |
| City's covered-employee payroll   | \$ 282,000           | \$ 260,788           |
| Contributions as a percentage of covered-<br>employee payroll           | 5.73%                | 4.21%                |

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



Cindy L. Greer, CPA ■ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Ryan A. Mosier, CPA ■ Jenna B. Glass, CPA ■ Van Shepard, CPA

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

Honorable Mayor and Members of City Council  
City of Lewisburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lewisburg, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Lewisburg, Kentucky's basic financial statements, and have issued our report thereon dated March 5, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Lewisburg, 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 Lewisburg, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lewisburg, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

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 consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-002 and 2019-003 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Lewisburg, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2019-004.

## **City of Lewisburg, Kentucky's Response to Findings**

City of Lewisburg Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Lewisburg Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
March 5, 2020

**CITY OF LEWISBURG, KENTUCKY**  
**Findings and Responses**  
**June 30, 2019**

2019-001

**Criteria:** Controls over cash disbursements are an essential part of internal control.

**Condition:** During our audit it was noted that not all disbursements had documentation of invoice with approval prior to payment.

**Effect:** The City is exposed to the risk of misappropriation of assets when invoices are not utilized or filed appropriately.

**Recommendation:** We recommend that all purchases be accompanied by an invoice with proper documentation of approval.

**Response:** Management understands the importance of prior invoice approval and will ensure that all payments have prior approval.

2019-002

**Criteria:** All cash accounts should be reconciled to the bank statement monthly.

**Condition:** During our audit it was noted that the Regions bank account had not been reconciled appropriately.

**Effect:** All bond payments and interest were not properly recorded in the general ledger.

**Recommendation:** We recommend management reconcile the cash accounts monthly to ensure that all receipts and disbursements are properly recorded.

**Response:** Management understands the importance and will ensure all cash accounts are reconciled to the bank statement in a timely manner.

2019-003

**Criteria:** The use of separate funds within the City aids in financial management and demonstrates legal compliance.

**Condition:** During our audit it was noted that there was no uniform way of recording interfund transactions between governmental and proprietary funds.

**Effect:** The City is unaware of the accurate balance of interfund payables and receivables.

**Recommendation:** We recommend management utilize a more uniform system of recording payables and receivables.

**Response:** Management understands the importance and will ensure that interfund transactions are recorded uniformly and that repayments are only recorded in the general ledger when the cash is actually transferred from one account to another to prevent outstanding interfund transactions in the bank reconciliations.

**CITY OF LEWISBURG, KENTUCKY**  
**Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2018**

2019-004

**Criteria:** Water bond ordinances of the City require that monthly deposits of 1/6 interest and 1/12 the next principal payment be made into sinking fund accounts.

**Condition:** During our audit it was noted that the City had not made all required sinking fund deposits.

**Effect:** The City was not in compliance with water bond ordinances.

**Recommendation:** We recommend that management make all required monthly sinking fund deposits.

**Response:** Management understands the importance and will begin making monthly sinking fund deposits in compliance with bond ordinances.

