

CITY OF LOUISA, KENTUCKY

FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORTS, AND  
SUPPLEMENTARY INFORMATION

June 30, 2021



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Harold Slone, Mayor  
Members of the City Council  
City of Louisa, 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 the City of Louisa, Kentucky as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Louisa, Kentucky's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Louisa, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 39-42 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 43 and 44, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 46 and 47, respectively, 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Louisa, Kentucky's basic financial statements. The schedule of operating expenses—proprietary funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expenses—proprietary funds is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses—proprietary funds is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022 on our consideration of the City of Louisa, 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 solely 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 the effectiveness of the City of Louisa's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Louisa, Kentucky's internal control over financial reporting and compliance.

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
February 8, 2022

**CITY OF LOUISA, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 491,508	\$ 1,059,262	\$ 1,550,770
Taxes receivable	108,585	-	108,585
Grants receivable	13,936	25,760	39,696
Sanitation fees receivable	47,293	-	47,293
Other receivables	36,740	-	36,740
Accounts receivable	-	421,066	421,066
Unbilled receivables	-	145,102	145,102
Inventory	-	89,397	89,397
Prepaid items	18,068	10,825	28,893
Capital assets:		-	
Land and construction-in-progress	589,039	3,877,000	4,466,039
Other capital assets, net of accumulated depreciation	1,983,837	19,780,489	21,764,326
<b>Total Assets</b>	<b>3,289,006</b>	<b>25,408,901</b>	<b>28,697,907</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions & OPEB	555,851	402,960	958,811
<b>LIABILITIES</b>			
Accounts payable	101,209	206,117	307,326
Accrued expenses	75,784	75,221	151,005
Accrued compensated absences	28,318	24,962	53,280
Accrued interest payable	3,634	46,439	50,073
Customer deposits	-	64,439	64,439
Due to City of Louisa - sanitation fees	-	47,293	47,293
Long-term liabilities:			
Net pension liability	1,650,566	1,328,736	2,979,302
Net OPEB liability	519,498	418,201	937,699
Due within one year	114,394	633,751	748,145
Due in more than one year	352,414	9,623,745	9,976,159
<b>Total Liabilities</b>	<b>2,845,817</b>	<b>12,468,904</b>	<b>15,314,721</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions & OPEB	96,376	145,235	241,611
<b>NET POSITION</b>			
Net investment in capital assets	2,106,068	13,399,993	15,506,061
Restricted for:			
Debt service	12,131	69,368	81,499
Capital asset repair and replacement	-	837,106	837,106
Special revenue	8,507	-	8,507
Public safety	23,146	-	23,146
Unrestricted (deficit)	(1,247,188)	(1,108,745)	(2,355,933)
<b>Total Net Position</b>	<b>\$ 902,664</b>	<b>\$ 13,197,722</b>	<b>\$ 14,100,386</b>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 372,756	\$ -	\$ -	\$ -	\$ (372,756)	\$ -	\$ (372,756)
Public safety	822,450	29,950	223,455	-	(569,045)	-	(569,045)
Streets	327,885	-	-	141,062	(186,823)	-	(186,823)
Sanitation	417,978	424,972	-	-	6,994	-	6,994
Alcohol Beverage Control	87,802	-	-	-	(87,802)	-	(87,802)
Youth programs	611	-	-	-	(611)	-	(611)
Interest on long-term debt	18,289	-	-	-	(18,289)	-	(18,289)
Total governmental activities	2,047,771	454,922	223,455	141,062	(1,228,332)	-	(1,228,332)
Business-type activities:							
Water and sewer	3,419,738	3,317,809	-	-	-	(101,929)	(101,929)
Swimming pool	27,022	23,998	-	-	-	(3,024)	(3,024)
Total business-type activities	3,446,760	3,341,807	-	-	-	(104,953)	(104,953)
Total primary government	\$ 5,494,531	\$ 3,796,729	\$ 223,455	\$ 141,062	(1,228,332)	(104,953)	(1,333,285)
General revenues:							
Property taxes					362,999	-	362,999
Motor vehicle taxes					31,095	-	31,095
Insurance premium taxes					409,989	-	409,989
Telecommunication taxes					25,751	-	25,751
Occupational licenses					12,900	-	12,900
Franchise fees					53,713	-	53,713
ABC fees					169,182	-	169,182
Intergovernmental revenue					131,772	25,760	157,532
Rental income					751	-	751
Interest income					194	1,012	1,206
Gain on disposal of capital assets					-	-	-
Insurance proceeds					-	-	-
Miscellaneous					207,469	-	207,469
Transfers:					(367)	367	-
Total general revenues and transfers					1,405,448	27,139	1,432,587
Change in net position					177,116	(77,814)	99,302
Net position - beginning					725,548	13,275,536	14,001,084
Net position - ending					\$ 902,664	\$ 13,197,722	\$ 14,100,386

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

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	<b>General Fund</b>	<b>Youth Programs Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 483,001	\$ 8,507	\$ 491,508
Receivables:			
Taxes	108,585	-	108,585
Grants	13,936	-	13,936
Sanitation fees	47,293	-	47,293
Other	36,740	-	36,740
Prepaid items	18,068	-	18,068
<b>Total Assets</b>	<b>\$ 707,623</b>	<b>\$ 8,507</b>	<b>\$ 716,130</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 101,209	\$ -	\$ 101,209
Accrued payroll	25,680	-	25,680
Accrued payroll taxes	1,850	-	1,850
Accrued compensated absences	28,318	-	28,318
Other accrued liabilities	37,442	-	37,442
<b>Total Liabilities</b>	<b>194,499</b>	<b>-</b>	<b>194,499</b>
<b>Fund Balances:</b>			
Restricted for:			
Public safety	23,146	-	23,146
Youth programs	-	8,507	8,507
Debt service	12,131	-	12,131
Unassigned	477,847	-	477,847
<b>Total Fund Balances</b>	<b>513,124</b>	<b>8,507</b>	<b>521,631</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 707,623</b>	<b>\$ 8,507</b>	<b>\$ 716,130</b>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

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**Fund Balances - Total Governmental Funds** **\$ 521,631**

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds:

Governmental capital assets	4,949,299
Less: accumulated depreciation	(2,376,423)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(3,634)
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Pension contributions after measurement date are reported as a deferred outflow of resources:	133,493
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Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds:	(2,170,064)
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Other OPEB related accruals	(10,812)
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Pension & OPEB related deferred outflows of resources and deferred inflows of  
resources are not due and payable in the current year and, therefore  
are not reported in the governmental funds, as follows:

Deferred pension & OPEB outflows of resources	422,358
Deferred pension & OPEB inflows of resources	(96,376)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	<u>(466,808)</u>
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<b>Net Position of Governmental Activities</b>	<b><u>\$ 902,664</u></b>
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See accompanying notes to basic financial statements.



**CITY OF LOUISA, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

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	<b>General Fund</b>	<b>Youth Programs Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
<b>Taxes:</b>			
Property	\$ 362,999	\$ -	\$ 362,999
Motor vehicle	31,095	-	31,095
Insurance premium	409,989	-	409,989
Telecommunication	25,751	-	25,751
Occupational licenses	12,900	-	12,900
Franchise fees	53,713	-	53,713
ABC fees	169,182	-	169,182
Intergovernmental revenues	131,772	-	131,772
Grants	364,517	-	364,517
Charges for services	454,922	-	454,922
Rental income	751	-	751
Interest income	194	-	194
Donations	18,760	608	19,368
Miscellaneous revenues	188,101	-	188,101
<b>Total revenues</b>	<b>2,224,646</b>	<b>608</b>	<b>2,225,254</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	312,778	-	312,778
Public safety	620,638	-	620,638
Streets	266,113	-	266,113
Sanitation	349,021	-	349,021
Alcohol beverage control	75,065	-	75,065
Youth programs	-	611	611
<b>Debt service:</b>			
Interest	18,635	-	18,635
Principal retirement	122,345	-	122,345
<b>Capital outlay</b>	<b>339,659</b>	<b>-</b>	<b>339,659</b>
<b>Total expenditures</b>	<b>2,104,254</b>	<b>611</b>	<b>2,104,865</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>120,392</b>	<b>(3)</b>	<b>120,389</b>
<b>Other financing sources (uses):</b>			
Proceeds from borrowing	-	-	-
Transfers Out	(367)	-	(367)
<b>Total other financing sources (uses)</b>	<b>(367)</b>	<b>-</b>	<b>(367)</b>
<b>Net change in fund balances</b>	<b>120,025</b>	<b>(3)</b>	<b>120,022</b>
<b>Fund balances - beginning</b>	<b>393,099</b>	<b>8,510</b>	<b>401,609</b>
<b>Fund balances - ending</b>	<b>\$ 513,124</b>	<b>\$ 8,507</b>	<b>\$ 521,631</b>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, 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, 2021**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 120,022**

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

Governmental funds report capital outlays as expenditures.  
However, on the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation  
expense:

Capital asset purchases capitalized	339,659
Depreciation expense	(196,375)

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.	346
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The net effect of various miscellaneous transactions involving capital assets:	-
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Changes in pension expense are reported only in the statement of activities	(208,881)
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Debt proceeds provide current financial resources to governmental  
funds, but issuing debt increases long-term liabilities in the Statement  
of Net Position. Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities in  
the Statement of Net Position. The details of these differences in the  
treatment of long-term debt and related items are as follows:

Loan proceeds	-
Principal paid	122,345

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 177,116</u></b>
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See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021

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	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 138,507	\$ 14,281	\$ 152,788
Customer accounts receivable, net	421,066	-	421,066
Unbilled receivables	145,102	-	145,102
Grant receivables	25,760	-	25,760
Inventory	89,397	-	89,397
Prepaid items	10,825	-	10,825
<b>Total current assets</b>	<b>830,657</b>	<b>14,281</b>	<b>844,938</b>
<b>Non-current assets:</b>			
<b>Restricted assets:</b>			
Cash and cash equivalents	906,474	-	906,474
<b>Capital assets:</b>			
Land	177,452	25,000	202,452
Construction work in progress	3,674,548	-	3,674,548
Capital assets, net of depreciation	19,763,826	16,663	19,780,489
<b>Total non-current assets</b>	<b>24,522,300</b>	<b>41,663</b>	<b>24,563,963</b>
<b>Total assets</b>	<b>25,352,957</b>	<b>55,944</b>	<b>25,408,901</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions	221,087		221,087
Deferred outflows related to OPEB	181,873	-	181,873
<b>Total deferred outflows of resources</b>	<b>402,960</b>	<b>-</b>	<b>402,960</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	204,344	1,773	206,117
Compensated absences	24,962	-	24,962
Accrued interest payable	46,439	-	46,439
Other accrued liabilities	69,369	5,852	75,221
Customer deposits	64,439	-	64,439
Due to City of Louisa - sanitation fees	47,293	-	47,293
<b>Total current liabilities</b>	<b>456,846</b>	<b>7,625</b>	<b>464,471</b>
<b>Payable from restricted assets:</b>			
Current portion of bonds and notes payable	633,751	-	633,751
<b>Total liabilities payable from restricted assets</b>	<b>633,751</b>	<b>-</b>	<b>633,751</b>

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2021

10

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Totals</b>
<b>Long-term liabilities:</b>			
Net pension liability	1,328,736	-	1,328,736
Net OPEB liability	418,201	-	418,201
Construction advances	3,893,098	-	3,893,098
Bonds and notes payable	6,364,398	-	6,364,398
	<u>12,004,433</u>	<u>-</u>	<u>12,004,433</u>
Less current portion	(633,751)	-	(633,751)
<b>Total long-term liabilities</b>	<u>11,370,682</u>	<u>-</u>	<u>11,370,682</u>
<b>Total liabilities</b>	<u>12,461,279</u>	<u>7,625</u>	<u>12,468,904</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions	45,608	-	45,608
Deferred inflows related to OPEB	99,627	-	99,627
	<u>145,235</u>	<u>-</u>	<u>145,235</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,358,330	41,663	13,399,993
Restricted			
Debt service	69,368	-	69,368
Capital asset repair and replacement	837,106	-	837,106
Unrestricted	<u>(1,115,401)</u>	<u>6,656</u>	<u>(1,108,745)</u>
<b>Total net position</b>	<u>\$ 13,149,403</u>	<u>\$ 48,319</u>	<u>\$ 13,197,722</u>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Total</b>
<b>Operating revenues:</b>			
Water revenues	\$ 2,043,504	\$ -	\$ 2,043,504
Sewer revenues	1,123,127	-	1,123,127
Pool receipts	-	23,998	23,998
Other operating revenues	151,178	-	151,178
<b>Total operating revenues</b>	<b>3,317,809</b>	<b>23,998</b>	<b>3,341,807</b>
<b>Operating expenses:</b>			
Water	2,243,604	-	2,243,604
Sewer	1,032,127	-	1,032,127
Swimming Pool	-	27,022	27,022
<b>Total operating expenses</b>	<b>3,275,731</b>	<b>27,022</b>	<b>3,302,753</b>
<b>Operating income (loss)</b>	<b>42,078</b>	<b>(3,024)</b>	<b>39,054</b>
<b>Non-operating revenues (expenses):</b>			
Interest income	1,012	-	1,012
Interest expense	(144,007)	-	(144,007)
<b>Total non-operating revenues (expenses)</b>	<b>(142,995)</b>	<b>-</b>	<b>(142,995)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(100,917)</b>	<b>(3,024)</b>	<b>(103,941)</b>
Contributions in aid of construction	25,760	-	25,760
Transfers from General Fund	-	367	367
<b>Total contributions and transfers</b>	<b>25,760</b>	<b>367</b>	<b>26,127</b>
<b>Change in net position</b>	<b>(75,157)</b>	<b>(2,657)</b>	<b>(77,814)</b>
Net position, beginning of year	13,224,560	50,976	13,275,536
<b>Net position, end of year</b>	<b>\$ 13,149,403</b>	<b>\$ 48,319</b>	<b>\$ 13,197,722</b>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

12

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
<b>Cash inflows:</b>			
Payments received from customers	\$ 3,303,551	\$ 23,998	\$ 3,327,549
<b>Total cash provided</b>	<b>3,303,551</b>	<b>23,998</b>	<b>3,327,549</b>
<b>Cash outflows:</b>			
Payments for salaries and benefits	874,495	4,619	879,114
Payments to suppliers for goods and services	1,671,432	11,754	1,683,186
<b>Total cash used</b>	<b>2,545,927</b>	<b>16,373</b>	<b>2,562,300</b>
<b>Net cash provided (used) by operating activities</b>	<b>757,624</b>	<b>7,625</b>	<b>765,249</b>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from General Fund	-	367	367
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>367</b>	<b>367</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(3,744,745)	(1,783)	(3,746,528)
Capital contributions received	6,184	-	6,184
Principal payments on debt	(675,353)	-	(675,353)
Proceeds from borrowings	3,660,448	-	3,660,448
Interest paid on long-term debt	(147,522)	-	(147,522)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(900,988)</b>	<b>(1,783)</b>	<b>(902,771)</b>
<b>Cash flows from investing activities:</b>			
Interest received	1,012	-	1,012
<b>Net cash provided (used) by investing activities</b>	<b>1,012</b>	<b>-</b>	<b>1,012</b>
<b>Net cash inflow (outflow) from all activities</b>	<b>(142,352)</b>	<b>6,209</b>	<b>(136,143)</b>
Cash and cash equivalents at beginning of period	1,187,333	8,072	1,195,405
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,044,981</b>	<b>\$ 14,281</b>	<b>\$ 1,059,262</b>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

13

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Total</b>
<b>Reconciliation of utility operating income to net cash provided by operating activities:</b>			
Operating income	\$ 42,078	\$ (3,024)	\$ 39,054
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	589,184	3,023	592,207
(Increase) decrease in:			
Customer accounts receivable	(30,272)	-	(30,272)
Unbilled revenue	16,014	-	16,014
Inventory	(3,761)	-	(3,761)
Other assets and deferred outflows	(10,146)	-	(10,146)
Increase (decrease) in:			
Accounts payable	37,981	1,774	39,755
Other liabilities and deferred inflows	(67,614)	5,852	(61,762)
Net pension and OPEB liability	184,160	-	184,160
<b>Net cash provided (used) by operating activities</b>	<b>\$ 757,624</b>	<b>\$ 7,625</b>	<b>\$ 765,249</b>
<b>Schedule of cash and cash equivalents:</b>			
<b>Beginning of period:</b>			
Unrestricted cash and cash equivalents	\$ 281,591	\$ 8,072	\$ 289,663
Restricted cash and cash equivalents	905,742	-	905,742
	<b>\$ 1,187,333</b>	<b>\$ 8,072</b>	<b>\$ 1,195,405</b>
<b>End of period:</b>			
Unrestricted cash and cash equivalents	\$ 138,507	\$ 14,281	\$ 152,788
Restricted cash and cash equivalents	906,474	-	906,474
	<b>\$ 1,044,981</b>	<b>\$ 14,281</b>	<b>\$ 1,059,262</b>

See accompanying notes to basic financial statements.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Louisa, Kentucky (“City”), operates under a council-mayor form of government. The City receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The council members and mayor are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibility. Based upon the application of these criteria the Louisa Swimming Pool and Louisa Water and Sewer have been included in the government’s reporting entity and their financial transactions have been blended with the primary government unit.

**Basis of Presentation**

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 government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.



**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The City has the following funds:

**I. Governmental Fund Types**

- A.) The General Fund is the main operating fund of the City. It accounts for financial resources used for public safety (police and fire), streets, sanitation, alcohol beverage control, and general administrative services. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- B.) Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments) that are legally restricted to expenditure for specified purposes. Special revenue funds for the year ended June 30, 2020 are considered nonmajor funds. The Youth Programs Fund was the only special revenue fund.

**II. Proprietary Fund Types (Enterprise Fund)**

Louisa Water and Sewer and the Louisa Swimming Pool account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges.

The City applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when used is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Property Taxes**

**Property Tax Revenues** – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the City. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were \$.240 per \$100 valuation for property, and \$.200 per \$100 valuation for motor vehicles.

The City also levies an insurance premium tax in the amount of 8% on all insurance premiums within City limits.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Capitalization Policy for the City is as follows:

- Land, land improvement, right of ways (easements) and buildings are capitalized regardless of cost.
- Infrastructure, works of art and historical treasures and intangible assets are capitalized if valued at \$50,000 and above. Infrastructure acquired prior to July 1, 2003 has not been accounted for as allowed by GASB No. 34.
- Equipment is capitalized if valued at \$2,500 and above.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Other	7-10 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Compensated Absences**

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Sick pay does not vest with employees. If they don’t use it, they lose it.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The estimated current portion of the liability for vested vacation benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The entire estimated liability is estimated to be current. The amounts attributable to proprietary funds and similar component units are charged to expense and a corresponding liability in the applicable fund or component unit. The estimated liabilities include required salary-related payments.

**Budgetary Process**

**Budgetary Basis of Accounting:** The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended.

Each budget is prepared and controlled by the City Clerk at the revenue and expenditure level. All budget appropriations lapse at year-end.

**Cash and Cash Equivalents**

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**Allowance for Uncollectible Accounts**

Water and Sewer receivables at June 30, 2021, are net of allowance for uncollectable. The allowance for uncollectable was \$39,767 at June 30, 2021.

**Inventories**

Purchases of material and supplies, by governmental fund types, are recorded as expenditures when the liability is incurred. Inventories of these materials and supplies are not maintained and recorded as an asset since the amounts are immaterial.

Proprietary fund types maintain inventories, which are stated at cost. Cost is determined on the first-in, first-out (FIFO) basis. The Louisa Swimming Pool did not maintain inventory records since the amounts are immaterial.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated vacation days, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Fund Balances**

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

- **Non-spendable** – permanently nonspendable by decree of the donor, such as an endowment, or items, which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.
- **Restricted** – legally restricted under federal or state law, bond authority, or grantor contract.
- **Committed** – commitments passed by the board.
- **Assigned** – funds assigned to management priority including issued encumbrances.
- **Unassigned** – funds available for future operations.

GASB statement 54 provides that when governments have not established a spending policy, the committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those classifications could be used.

Encumbrances are not liabilities and, therefore are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in governmental funds balance sheet. There were no open encumbrances at June 30, 2021.

Whenever a budget for the subsequent year is adopted where a portion of existing fund balance is included as a budgetary resource to eliminate a projected excess of expected expenditures over expected revenues, that portion of fund balance is considered assigned. The current year fund balance was not included as a budgetary resource in the subsequent year budget.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the sanitation fund and the Louisa swimming pool.

**Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Deferred Outflows/Inflows 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has deferred outflows of resources that relate to pension plan and OPEB reporting, see Note F and Note G.

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 that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has deferred inflows of resources that relate to pension plan and OPEB reporting, see Note F and Note G.

**NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's total cash and cash equivalents was \$1,550,770. Cash was secured by \$769,173 of Federal Depository Insurance, with an additional \$1,269,527 covered by collateral agreements and collateral held by the pledging banks' trust departments in the City's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank	<u>\$ 2,038,700</u>	<u>\$ 1,549,860</u>
Cash on hand		<u>910</u>
Total		<u>\$ 1,550,770</u>
Breakdown per financial statements:		
Governmental funds		\$ 491,508
Proprietary funds		<u>1,059,262</u>
Total		<u>\$ 1,550,770</u>

**NOTE D – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021, consisted of the following:

**Governmental Activities**

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 536,118	\$ -	\$ -	\$ 536,118
Construction in progress	<u>37,608</u>	<u>15,313</u>	<u>-</u>	<u>52,921</u>
Total capital assets, not being depreciated	<u>573,726</u>	<u>15,313</u>	<u>-</u>	<u>589,039</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,219,441	-	-	1,219,441
Infrastructure (streets & sidewalks)	483,040	217,462	-	700,502
Vehicles	1,632,213	13,500	-	1,645,713
Equipment	<u>701,220</u>	<u>93,384</u>	<u>-</u>	<u>794,604</u>
Total capital assets being depreciated	4,035,914	324,346	-	4,360,260
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(538,970)	(37,421)	-	(576,391)
Infrastructure (streets)	(51,966)	(21,261)	-	(73,227)
Vehicles	(1,141,580)	(99,474)	-	(1,241,054)
Equipment	<u>(447,532)</u>	<u>(38,219)</u>	<u>-</u>	<u>(485,751)</u>
Total accumulated depreciation	<u>(2,180,048)</u>	<u>(196,375)</u>	<u>-</u>	<u>(2,376,423)</u>
Total capital assets being depreciated, net	<u>1,855,866</u>	<u>127,971</u>	<u>-</u>	<u>1,983,837</u>
Total capital assets, net	<u>\$2,429,592</u>	<u>\$ 143,284</u>	<u>\$ -</u>	<u>\$2,572,876</u>

**NOTE D – CAPITAL ASSETS – CONTINUED**

Depreciation was charged to governmental functions as follows:

General government	\$ 23,253
Public safety	103,846
Streets	31,766
Sanitation	<u>37,510</u>
	<u>\$ 196,375</u>

**Business-Type Activities**

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 202,452	\$ -	\$ -	\$ 202,452
Construction in progress	<u>486,005</u>	<u>3,188,543</u>	<u>-</u>	<u>3,674,548</u>
<b>Total capital assets, not being depreciated</b>	<u>688,457</u>	<u>3,188,543</u>	<u>-</u>	<u>3,877,000</u>
<b>Capital assets, being depreciated:</b>				
Water plant and equipment	19,701,001	3,750	-	19,704,751
Sewer plant and equipment	11,415,788	3,750	-	11,419,538
Swimming pool buildings	45,136	-	-	45,136
Swimming pool equipment	133,267	1,783	-	135,050
Office equipment	105,540	-	-	105,540
Trucks and equipment	<u>457,072</u>	<u>-</u>	<u>-</u>	<u>457,072</u>
<b>Total capital assets being depreciated</b>	31,857,804	9,283	-	31,867,087
<b>Less accumulated depreciation for:</b>				
Water plant and equipment	(6,052,317)	(382,377)	-	(6,434,694)
Sewer plant and equipment	(4,763,492)	(197,974)	-	(4,961,466)
Swimming pool buildings	(40,462)	(751)	-	(41,213)
Swimming pool equipment	(120,037)	(2,273)	-	(122,310)
Office equipment	(105,251)	(218)	-	(105,469)
Trucks and equipment	<u>(412,831)</u>	<u>(8,615)</u>	<u>-</u>	<u>(421,446)</u>
<b>Total accumulated depreciation</b>	<u>(11,494,390)</u>	<u>(592,208)</u>	<u>-</u>	<u>(12,086,598)</u>
<b>Total capital assets being depreciated, net</b>	<u>20,363,414</u>	<u>(582,925)</u>	<u>-</u>	<u>19,780,489</u>
<b>Total capital assets, net</b>	<u>\$21,051,871</u>	<u>\$ 2,605,618</u>	<u>\$ -</u>	<u>\$23,657,489</u>



**NOTE D – CAPITAL ASSETS – CONTINUED**

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 589,184
Swimming pool	3,024
	<u>\$ 592,208</u>

**NOTE E – LONG – TERM DEBT**

The City's long term debt at June 30, 2021 consisted of the following:

**Governmental Activities**

- 1) On May 3, 2008, the City borrowed \$100,000 from the Kentucky League of Cities for the City garage lot. The agreement provides for 181 monthly payments of variable amounts to be made beginning June 1, 2007 with final payment due on June 1, 2022. The debt bears variable interest with interest computed at .187% at June 15, 2013. The average payment is around \$700 per month.
- 2) On June 6, 2017, the City borrowed \$227,475 from BB&T Governmental Finance for a 2016 Freightliner garbage truck and to refinance the remaining balance of the 2013 Freightliner garbage truck. The agreement provides for 84 monthly payments of \$2,964 to be made beginning July 6, 2017 with final payment due on June 6, 2024. The debt bears interest at 2.59%.
- 3) On December 13, 2017, the City entered into an agreement to purchase the Vinson property from Herbert and Kimberly Lemaster for \$95,239. The agreement provides for 4 annual payments of \$20,000 to be made beginning December 13, 2018 with final payment due on December 13, 2021. The debt bears interest at 2.50%. Initial payment of \$20,000 was due at the date of closing.
- 4) On August 9, 2017, the City entered into an agreement with KACO Finance Services for \$1,885,000 for energy improvement upgrades. The City's portion is \$283,489 while the Water & Sewer department's portion is for \$1,601,511. The agreement provides for interest to be paid each July and interest and various escalating principal amounts to be paid each January. The debt bears interest at 3.00%. Final payment is due January 1, 2032.

	<u>Balances</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>6/30/2021</u>	<u>Due Within</u> <u>One Year</u>
BB&T (garbage truck)	\$ 135,005	\$ -	\$ (32,453)	\$ 102,552	\$ 33,304
KLC (city garage lot)	18,149	-	(8,500)	9,649	8,890
Lemaster loan (Vinson property)	38,548	-	(19,036)	19,512	19,512
KACO Finance (energy improvements)	251,155	-	(17,295)	233,860	17,295
Compensated absences	20,320	28,318	(20,320)	28,318	28,318
Net pension liability	1,421,589	228,977	-	1,650,566	-
Net OPEB liability	339,873	179,625	-	519,498	-
Total governmental activities	<u>\$ 2,224,639</u>	<u>\$ 436,920</u>	<u>\$ (97,604)</u>	<u>\$ 2,563,955</u>	<u>\$ 107,319</u>

Repayment of principal and interest maturities is principally made from various taxes and service fees collected. Also, for governmental activities, the pension obligations and other post-employment benefit obligations are generally liquidated by the general fund.

**NOTE E – LONG – TERM DEBT – CONTINUED**

Principal and interest payments to be made on all long-term debt at June 30, 2021, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2022	\$ 79,001	\$ 79,001	\$ 10,041	\$ 89,042
2023	53,734	53,734	7,592	61,326
2024	54,623	54,623	5,927	60,550
2025	20,303	20,303	4,636	24,939
2026	21,055	21,055	4,019	25,074
2027-2031	112,042	112,042	11,914	123,956
2032	<u>24,815</u>	<u>24,815</u>	<u>511</u>	<u>25,326</u>
	<u>\$ 365,573</u>	<u>\$ 365,573</u>	<u>\$ 44,640</u>	<u>\$410,213</u>

**Business – Type Activities**

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>Bonds:</b>			
Water Revenue Bond, Series 1989 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	\$ 37,560	5.00%	01/2029
Water and Sewer Revenue Bond, Series 2002 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	697,000	3.25%	01/2042
Water and Sewer Revenue Bond, Series 2007 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	341,000	4.125%	01/2046
Public Projects Refunding and Improvement Revenue Bonds, Series 2010D. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	<u>175,000</u>	.8% to 4.2%	01/2025
	1,250,560		

**Notes:**

Notes payable to Kentucky Infrastructure Authority for sewer upgrades, due in monthly installments of principal and interest. (C98-02)	30,000	2.25%	06/2022
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**NOTE E – LONG – TERM DEBT – CONTINUED**

	<u><b>Amount</b></u>	<u><b>Interest Rate</b></u>	<u><b>Maturity Date</b></u>
Notes payable to Kentucky Infrastructure Authority for sewer upgrades, due in monthly installments of principal and interest. (A11-02)	658,642	1.00%	06/2034
Note payable to Kentucky Infrastructure Authority for water project upgrades, due in semi-annual installments of principal and interest, in June and December of each year. (F02-06)	594,306	1.00%	06/2024
Note payable to Kentucky Infrastructure Authority for sewer line project, due in semi-annual installments of principal and interest, in June and December of each year. (A209-10)	272,905	1.00%	12/2030
Note payable to KACO Financial Services for water meter and pump station upgrades, due in semi-annual installments of principal and interest in January of each year, and interest only in July of each year. (1BP2017B)	1,321,141	3.00%	01/2032
Note payable to Kentucky Infrastructure Authority for sewer and water interconnect project, due in semi-annual installments of principal and interest, in June and December of each year. (B08-07)	608,101	1.07%	06/2033
Note payable to Kentucky Infrastructure Authority for water improvement project, due in semi-annual installments of principal and interest, in June and December of each year. (F10-03)	1,054,551	1.00%	06/2033
Note payable to Kentucky Infrastructure Authority for waterline improvement project, due in semi-annual installments of principal and interest, in June and December of each year. (F18-018)	574,192	0.50%	06/2040
	<u>5,113,838</u>		
	<u><b>\$6,364,398</b></u>		

**NOTE E – LONG – TERM DEBT – CONTINUED**

	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Due Within One Year</u>
Bond payable – 1989 issue	\$ 41,300	\$ -	\$ (3,570)	\$ 37,560	\$ 3,930
Bond payable – 2002 issue	720,000	-	(23,000)	697,000	23,500
Bond payable – 2007 issue	348,500	-	(7,500)	341,000	7,500
Bond payable – 2010D issue	215,000	-	(40,000)	175,000	40,000
Note payable – KIA (C98-02)	55,000	-	(25,000)	30,000	30,000
Note payable – KIA (A11-02)	705,857	-	(47,215)	658,642	47,688
Note payable – KIA (F02-06)	788,489	-	(194,183)	594,306	196,129
Note payable – KIA (A209-10)	300,156	-	(27,251)	272,905	27,524
Note payable – KIA (B08-07)	655,348	-	(47,247)	608,101	47,754
Note payable – KIA (F10-03)	1,136,864	-	(82,313)	1,054,551	83,139
Note payable – KIA (C97-02)	51,462	-	(51,462)	-	-
Note payable – KIA (F18-018)	602,930	-	(28,738)	574,192	28,882
Note payable – KACO (1BP2017B))	1,418,845	-	(97,704)	1,321,141	97,705
Compensated absences	24,454	24,962	(24,454)	24,962	24,962
Net pension liability	1,261,236	67,500	-	1,328,736	-
Net OPEB liability	301,541	116,660	-	418,201	-
Total business-type activities	<u>\$8,626,982</u>	<u>\$ 209,122</u>	<u>\$ (699,807)</u>	<u>\$8,136,297</u>	<u>\$ 658,713</u>

Future water and sewer revenues, net of specified operating expenses, will repay these revenue bonds and loans payable.

Principal and interest payments to be made on all long-term debt at June 30, 2020, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2022	\$ 74,930	\$ 558,821	\$ 633,751	\$ 129,203	\$ 762,954
2023	76,630	541,528	618,158	116,502	734,660
2024	82,830	550,028	632,858	104,695	737,553
2025	89,050	356,484	445,534	92,288	537,822
2026	40,780	363,043	403,823	82,356	486,179
2027-2031	215,840	1,873,833	2,089,673	301,135	2,390,808
2032-2036	238,000	744,650	982,650	127,089	1,109,739
2037-2041	284,500	125,451	409,951	61,875	471,826
2042-2046	<u>148,000</u>	<u>-</u>	<u>148,000</u>	<u>14,377</u>	<u>162,377</u>
	<u>\$1,250,560</u>	<u>\$5,113,838</u>	<u>\$6,364,398</u>	<u>\$1,029,520</u>	<u>\$7,393,918</u>

**Construction Advances**

The City entered into a loan assistance agreement with the Kentucky Infrastructure Authority (KIA) to provide financing for the planning, design, and construction of a sewer inflow and infiltration rehabilitation project. The future loan to the City is \$3,028,166 (\$4,028,166 less \$1,000,000 of principal forgiveness) of which \$3,893,098 was received through June 30, 2021. The loan contract carries a 0.50% interest rate. Debt service requirements to maturity have not been presented for this obligation because it has not yet been determined by the lending party. A schedule of payments will be determined upon the completion of the funding of the loan.

**NOTE F – DEFINED PENSION**

**General Information about the Pension Plan**

***Plan Description***

Employees of the City of Louisa, Kentucky are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the County Employee's Retirement System. Section 61.645 of the Kentucky Revised Statutes grants to CERS Board of Trustees and the Kentucky Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. CERS issues a publicly available financial report that can be obtained at [kyret.ky.gov](http://kyret.ky.gov).

***Benefits Provided***

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, 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 Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit or \$10,000 plus 75% of the decedent's monthly average pay until the spouse's death or remarriage. If surviving spouse remarries, the monthly payment shall be recalculated to 25% of the deceased member's monthly average pay. Each eligible dependent child will receive a monthly benefit equal to 50% of the decedent's monthly average pay. The amount increases to 65% if the decedent has two (2) dependent children; and 75% if three (3) or more children. Payments will be divided equally among all the dependent children. Five years' service is required for nonservice-related disability benefits.

**NOTE F – DEFINED PENSION – CONTINUED**

***Contributions***

Per State Statutes, contribution requirements of the active employees are established and may be amended by the CERS Board. Employees hired before 9/1/08 are required to contribute 5.00 percent of their annual pay and employees hired after 9/1/08 are required to contribute 6.00 percent of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2021, was 19.30 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$209,901 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$2,979,302 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was 0.039 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$434,479. At June 30, 2021, 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>
Differences between expected and actual experience	\$ 74,294	\$ -
Changes of assumptions	116,337	-
Net difference between projected and actual earnings on pension plan investments	74,554	-
Changes in proportion and differences between City contributions and proportionate share of contributions	61,291	50,080
City contributions subsequent to the measurement date	<u>209,901</u>	<u>-</u>
Total	<u>\$ 536,377</u>	<u>\$ 50,080</u>

\$209,901 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE F – DEFINED PENSION – CONTINUED**

<b>Year ended June 30:</b>	
2022	\$ 118,393
2023	89,706
2024	38,353
2025	29,944
2026	-
Thereafter	-

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%

**NOTE F – DEFINED PENSION – CONTINUED**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.26%</b>

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

***Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the Net Pension Liability using the discount rate of 6.25%, as well as what the City's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate:

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
City's proportionate share of the net pension liability	\$3,674,128	\$2,979,302	\$2,403,960

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2020 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

***Payable to the Pension Plan***

At June 30, 2021, the City reported a payable of \$24,240 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.



**NOTE G – OPEB PLAN**

**General Information about the OPEB plan**

***Plan Description and Benefits Provided***

The City of Louisa, Kentucky participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the City. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

***Contributions***

The City's contractually required contribution rate for the year ended June 30, 2021, was 4.76 percent of covered payroll. Contributions to the OPEB plan from the City were \$51,768 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$937,699 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the City's proportion was 0.039 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB expense of \$123,216. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 156,670	\$ 156,792
Changes of assumptions	163,104	992
Net difference between projected and actual earnings On OPEB plan investments	31,167	-
Changes in proportion and differences between City contributions and proportionate share of contributions	19,725	33,747
City contributions subsequent to the measurement date	<u>51,768</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 422,434</u></b>	<b><u>\$ 191,531</u></b>

**NOTE G – OPEB PLAN – CONTINUED**

\$51,768 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

**Year ended June 30:**

2022	\$	47,621
2023		56,844
2024		39,184
2025		38,620
2026		(3,134)
Thereafter		-

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2020 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65	Initial trend starting at 2.90% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**NOTE G – OPEB PLAN – CONTINUED**

The long-term expected rate of return was determined by using a building-block method in which 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.26%</b>

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend***

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the net OPEB liability	\$726,013	\$937,699	\$1,194,585

***Discount Rate***

Single discount rates of 5.34% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2020. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system.

**NOTE G – OPEB PLAN – CONTINUED**

However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the CAFR.

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the Net OPEB Liability using the discount rate of 5.34%, as well as what the City's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.34%) or one percentage-point higher (6.34%) than the current rate:

	<u>1.0% Decrease (4.34%)</u>	<u>Current Discount Rate (5.34%)</u>	<u>1.0% Increase (6.34%)</u>
City's proportionate share of the net OPEB liability	\$1,204,668	\$937,699	\$718,428

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2020 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

**NOTE H – COMMITMENTS**

The City's water and sewer has a \$4,028,166 l&l rehab project in progress. In 2009, a sewer evaluation study was performed on the entire Louisa sewer system that yielded a delineation of three priority zones for rehabilitation. This project will address the downtown area (Zone 1), which is considered to have the oldest infrastructure and is the highest priority for the City. The planning and design portion paid for camera inspection of approximately 23,250 linear feet of sewer line and determined what measures were necessary to address the issues. The current construction portion will replace storm sewer lines along Lock Avenue and Pike Street in downtown Louisa, with intent to separate the combined sewer in parts of the area and eliminate other inflow and infiltration concerns.

The project is being funded with a \$4,028,166 Kentucky Infrastructure Authority (KIA) loan. Principal forgiveness will be \$1,000,000 leaving \$3,028,166 being amortized over 20 years at .50% interest upon completion of the project.

**NOTE I – CONTINGENCIES**

The City receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE J – LITIGATION**

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Administration officials and legal council do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in process.

**NOTE K – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The City has purchased certain policies, which are retrospectively rated which include Workers' Compensation insurance. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**NOTE L – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a substantial loss (contingency).

**NOTE M – TRANSFER OF FUNDS/ASSETS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Swimming Pool	Expenses	\$ 367

**NOTE N – CAPITAL LEASES**

The City entered into lease agreements on April 10, 2018 and March 10, 2020 with Magnolia Bank (police vehicles) and February 28, 2014 with the Kentucky Bond Corporation (fire trucks). The lease agreements qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2021, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2022	\$ 38,586
2023	37,960
2024	25,900
2025	5,150
2026	<u>-</u>

**NOTE N – CAPITAL LEASES – CONTINUED**

Total minimum lease payments	107,596
Less amount representing interest	<u>(6,361)</u>
Present value of net minimum lease payments	<u>\$ 101,235</u>

Following is a summary of the property held by the City under the capital lease at June 30, 2021:

	<b><u>Governmental Activities</u></b>
Fire trucks (Kentucky Bond Corporation)	\$ 235,998
Police vehicles (Magnolia Bank)	42,616
Less accumulated depreciation	<u>(184,429)</u>
	<u>\$ 94,185</u>

	<b><u>Amount Outstanding 6/30/2020</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Amount Outstanding 6/30/2021</u></b>	<b><u>Amounts Due Within One Year</u></b>
Governmental activities leases	\$ 146,296	\$ -	\$ (45,061)	\$ 101,235	\$ 35,393

**NOTE P – SUBSEQUENT EVENTS**

Management has evaluated and has not recognized any subsequent events through February 8, 2022, the date the financial statements were available to be issued.

## **AUDITOR'S REPORTS**



**WELLS & COMPANY, P.S.C.**

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Harold Slone, Mayor  
Members of the City Council  
City of Louisa, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Louisa, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Louisa, Kentucky's basic financial statements and have issued our report thereon dated February 8, 2022, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Louisa, Kentucky's internal control over financial reporting (internal control) as a basis for designing 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 the City of Louisa, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Louisa, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in 2021-001 below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.



#### **2021-001 Segregation of Duties**

**Condition:** Presently, the City has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

**Criteria:** The City should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

**Cause of Condition:** Due to its small size and budget restrictions the City has limited options for establishing an adequate segregation of duties.

**Effect:** An improper segregation of duties can subject the City to intentional or unintentional losses due to errors or irregularities.

**Recommendation:** The City should continue to review the internal control structure and segregate duties where possible.

**Management Comment:** Management of the City concurs with the finding and will continue strong oversight.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Louisa, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The City of Louisa, Kentucky's response to the findings identified in our audit is described above. The City of Louisa, 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.

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
February 8, 2022

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF LOUISA, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

39

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 378,740	\$ 378,740	\$ 362,999	\$ (15,741)
Motor vehicle tax	26,400	26,400	31,095	4,695
Taxes on insurance premiums	390,900	390,900	409,989	19,089
Occupational licenses	12,500	12,500	12,900	400
Franchise fees	50,500	50,500	53,713	3,213
Telecommunication tax	21,200	21,200	25,751	4,551
ABC fees	144,000	144,000	169,182	25,182
Law enforcement fees	7,200	7,200	4,826	(2,374)
Municipal road aid	55,000	55,000	47,230	(7,770)
Police incentive	24,000	24,000	29,995	5,995
Fire state aid	11,000	11,000	11,000	-
Coal and mineral severance	105,000	105,000	38,721	(66,279)
Other grants	5,000	330,902	364,517	33,615
Sanitation fees	410,000	410,000	424,972	14,972
Fire district contract	44,400	44,400	29,400	(15,000)
Arrest fees	1,880	1,880	550	(1,330)
Interest	100	100	194	94
Rent	5,000	5,000	751	(4,249)
Donations	5,400	16,460	18,760	2,300
Other receipts	112,000	112,000	188,101	76,101
<b>Total Revenues</b>	<u>1,810,220</u>	<u>2,147,182</u>	<u>2,224,646</u>	<u>77,464</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Salaries and wages	116,252	116,252	126,716	(10,464)
Payroll taxes	9,094	9,094	8,782	312
Retirement	27,970	27,970	26,905	1,065
Life and health insurance	57,665	57,665	56,890	775
Insurance	7,222	7,222	6,821	401
Advertising and printing	3,000	3,000	1,959	1,041
Professional fees	23,000	23,000	16,959	6,041
Repairs and maintenance	500	500	693	(193)
Utilities and communications	11,300	11,300	11,365	(65)
Other contractual services	16,600	16,600	16,155	445
Community center expenses	4,000	4,000	11,124	(7,124)
Materials and supplies	6,450	6,450	8,610	(2,160)
Other expenses	23,000	34,083	35,112	(1,029)
<b>Debt service:</b>				
Interest expense	9,669	9,669	9,653	16
Principal retirement	36,331	36,331	36,331	-
Capital outlays	-	-	-	-
<b>Total General Government</b>	<u>352,053</u>	<u>363,136</u>	<u>374,075</u>	<u>(10,939)</u>

CITY OF LOUISA, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (continued)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

40

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Police:</b>				
Salaries and wages	229,443	229,443	267,925	(38,482)
Payroll taxes	16,068	16,068	19,108	(3,040)
Retirement	49,430	49,430	61,806	(12,376)
Life and health insurance	86,263	86,263	83,364	2,899
Insurance	20,256	20,256	24,865	(4,609)
Professional fees	250	250	108	142
Repairs and maintenance	3,000	3,000	10,830	(7,830)
Utilities and communications	7,700	7,700	7,808	(108)
Other contractual services	700	700	60	640
Materials and supplies	31,950	31,950	23,878	8,072
Other expenses	22,714	22,714	6,030	16,684
Debt service:				
Interest expense	1,869	1,869	1,866	3
Principal retirement	25,061	25,061	25,061	-
Capital outlays	-	-	6,625	(6,625)
<b>Total Police</b>	<u>494,704</u>	<u>494,704</u>	<u>539,334</u>	<u>(44,630)</u>
<b>Fire:</b>				
Salaries and wages	12,320	12,320	-	12,320
Payroll taxes	978	978	-	978
Insurance	21,283	21,283	32,025	(10,742)
Repairs and maintenance	11,000	11,000	18,443	(7,443)
Utilities and communications	14,500	14,500	17,741	(3,241)
Other contractual services	750	750	450	300
Materials and supplies	21,500	21,500	16,627	4,873
Other expenses	22,765	22,765	29,570	(6,805)
Debt service:				
Interest expense	5,300	5,300	3,425	1,875
Principal retirement	20,000	20,000	20,000	-
Capital outlays	16,000	16,000	52,004	(36,004)
<b>Total Fire</b>	<u>146,396</u>	<u>146,396</u>	<u>190,285</u>	<u>(43,889)</u>
<b>Street:</b>				
Salaries and wages	81,007	81,007	72,102	8,905
Payroll taxes	6,297	6,297	5,109	1,188
Retirement	19,490	19,490	18,925	565
Life and health insurance	28,598	28,598	28,944	(346)
Insurance	9,569	9,569	15,133	(5,564)

**CITY OF LOUISA, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

41

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Repairs and maintenance	3,000	3,000	5,187	(2,187)
Utilities and communications	62,300	62,300	64,968	(2,668)
Other contractual services	3,000	3,000	2,698	302
Materials and supplies	45,000	51,000	40,463	10,537
Other expenses	8,418	8,418	12,584	(4,166)
Debt service:				
Interest expense	344	344	289	55
Principal retirement	4,250	4,250	4,250	-
Capital outlays	105,000	201,900	253,147	(51,247)
<b>Total Street</b>	<u>376,273</u>	<u>479,173</u>	<u>523,799</u>	<u>(44,626)</u>
<b>Sanitation:</b>				
Salaries and wages	102,669	102,669	110,232	(7,563)
Payroll taxes	8,004	8,004	7,441	563
Retirement	24,702	24,702	19,836	4,866
Life and health insurance	56,922	56,922	56,352	570
Insurance	20,356	20,356	21,967	(1,611)
Repairs and maintenance	6,000	6,000	7,007	(1,007)
Utilities and communications	2,500	2,500	6,396	(3,896)
Other contractual services	82,000	82,000	85,169	(3,169)
Materials and supplies	35,000	35,000	29,134	5,866
Other expenses	9,500	9,500	5,487	4,013
Debt service:				
Interest expense	3,457	3,457	3,402	55
Principal retirement	36,703	36,703	36,703	-
Capital outlays	10,000	10,000	12,570	(2,570)
<b>Total Sanitation</b>	<u>397,813</u>	<u>397,813</u>	<u>401,696</u>	<u>(3,883)</u>
<b>Alcohol Beverage Control:</b>				
Salaries and wages	32,936	32,936	35,700	(2,764)
Payroll taxes	2,565	2,565	2,428	137
Retirement	7,924	7,924	8,038	(114)
Life and health insurance	14,230	14,230	14,147	83
Insurance	2,000	2,000	2,300	(300)
Repairs and maintenance	250	250	995	(745)
Utilities and communications	1,500	1,500	1,033	467
Materials and supplies	5,200	5,200	3,647	1,553
Other expenses	9,350	9,350	6,777	2,573
<b>Total Alcohol Beverage Control</b>	<u>75,955</u>	<u>75,955</u>	<u>75,065</u>	<u>890</u>
<b>Total Expenditures</b>	<u>1,843,194</u>	<u>1,957,177</u>	<u>2,104,254</u>	<u>(147,967)</u>
Excess of revenues over (under) expenditures	(32,974)	190,005	120,392	225,431

**CITY OF LOUISA, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

42

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from borrowing	-	-	-	-
Transfers to Swimming Pool	-	-	(367)	(367)
Total Other Financing Uses	-	-	(367)	(367)
<b>Revenues Over/(Under) Expenditures and     Other Financing Sources/(Uses)</b>	<u>\$ (32,974)</u>	<u>\$ 190,005</u>	120,025	<u>\$ (69,980)</u>
<b>Fund balance - beginning</b>			<u>393,099</u>	
<b>Fund balance - ending</b>			<u>\$ 513,124</u>	

**CITY OF LOUISA, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (CERS)**  
**JUNE 30, 2021**

43

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.042992%	0.041392%	0.042613%
City's proportionate share of the net pension liability (asset)	\$ 1,394,000	\$ 1,779,668	\$ 2,098,096
City's covered-employee payroll	\$ 965,733	\$ 1,016,536	\$ 967,848
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	144.35%	175.07%	216.78%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net pension liability (asset)	0.039751%	0.039134%	0.038146%
City's proportionate share of the net pension liability (asset)	\$ 2,326,749	\$ 2,383,501	\$ 2,682,825
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.87%	245.73%	255.17%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.54%	50.45%
	<u>6/30/2021</u>		
City's proportion of the net pension liability (asset)	0.038844%		
City's proportionate share of the net pension liability (asset)	\$ 2,979,302		
City's covered-employee payroll	\$ 1,087,569		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	273.94%		
Plan fiduciary net position as a percentage of the total pension liability	47.81%		

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY  
SCHEDULE OF CITY PENSION CONTRIBUTIONS (CERS)  
JUNE 30, 2021**

44

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 123,131	\$ 126,254	\$ 135,015
Contributions in relation to the contractually required contribution	<u>123,131</u>	<u>126,254</u>	<u>135,015</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 965,733	\$ 1,016,536	\$ 967,848
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 140,454	\$ 157,326	\$ 202,917
Contributions in relation to the contractually required contribution	<u>140,454</u>	<u>157,326</u>	<u>202,917</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
Contributions as a percentage of covered-employee payroll	14.48%	16.22%	19.30%

	<u>6/30/2021</u>
Contractually required contribution	\$ 209,901
Contributions in relation to the contractually required contribution	<u>209,901</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,087,569
Contributions as a percentage of covered-employee payroll	19.30%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**CITY OF LOUISA, KENTUCKY  
NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2021**

45

**NOTE A – CHANGES OF BENEFIT TERMS**

There was no legislation enacted that had a material change in benefit provisions for CERS.

**NOTE B – CHANGES OF ASSUMPTIONS**

There have been no assumption changes since June 30, 2019. Senate Bill 249 passed during the 2020 Legislative Session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2020**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.00% for CERS non-hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% for CERS non-hazardous

**CITY OF LOUISA, KENTUCKY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY (CERS)  
JUNE 30, 2021**

46

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net OPEB liability (asset)	0.039751%	0.039134%	0.038135%
City's proportionate share of the net OPEB liability (asset)	\$ 799,131	\$ 694,816	\$ 641,414
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.39%	71.63%	61.01%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%
	<u>6/30/2021</u>		
City's proportion of the net OPEB liability (asset)	0.038833%		
City's proportionate share of the net OPEB liability (asset)	\$ 937,699		
City's covered-employee payroll	\$ 1,087,569		
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	86.22%		
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%		

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY  
SCHEDULE OF CITY OPEB CONTRIBUTIONS (CERS)  
JUNE 30, 2021**

**47**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 45,590	\$ 51,020	\$ 50,046
Contributions in relation to the contractually required contribution	<u>45,590</u>	<u>51,020</u>	<u>50,046</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%
	<u>6/30/2021</u>		
Contractually required contribution	\$ 51,768		
Contributions in relation to the contractually required contribution	<u>51,768</u>		
Contribution deficiency (excess)	<u>\$ -</u>		
City's covered-employee payroll	\$ 1,087,569		
Contributions as a percentage of covered-employee payroll	4.76%		

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY  
NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2021**

48

**NOTE A – CHANGES OF BENEFIT TERMS**

There was no legislation enacted that had a material change in benefit provisions for CERS.

**NOTE B – CHANGES OF ASSUMPTIONS**

The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the Non-Hazardous Fund. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 75 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2020**

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.00% for CERS non-hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement for CERS non-hazardous.
Post - 65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement for CERS non-hazardous.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous.

## **SUPPLEMENTAL AND OTHER INFORMATION**

**CITY OF LOUISA, KENTUCKY  
SCHEDULE OF OPERATING EXPENSES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

49

**Business-type Activities - Enterprise Funds**

	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Swimming Pool</u></b>	<b><u>Total</u></b>
Salaries and wages	\$ 402,834	\$ 134,297	\$ 8,522	\$ 545,653
Payroll taxes	29,333	9,563	423	39,319
Employee benefits	266,153	121,210	-	387,363
Insurance	38,457	22,496	-	60,953
Lab tests	10,704	23,304	-	34,008
Legal and professional	19,920	9,497	-	29,417
Materials and supplies	216,181	55,066	6,585	277,832
Miscellaneous	70,749	33,360	3,014	107,123
Office expense	28,139	10,426	1,257	39,822
Repairs and maintenance	525,236	229,685	3,915	758,836
Telephone	8,770	3,127	155	12,052
Truck expense	16,588	20,091	-	36,679
Utilities	222,855	158,506	128	381,489
Depreciation	387,685	201,499	3,023	592,207
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 2,243,604</u></b>	<b><u>\$ 1,032,127</u></b>	<b><u>\$ 27,022</u></b>	<b><u>\$ 3,302,753</u></b>