

CITY OF TOMPKINSVILLE, KENTUCKY
ANNUAL FINANCIAL REPORT
JUNE 30, 2021

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DIRECTORY
CITY OF TOMPKINSVILLE, KENTUCKY
(MAYOR-COMMISSION FORM OF GOVERNMENT)

MAYOR
MICHAEL BOWE

COMMISSIONERS

HADE LYONS
JORDAN HAGAN

WILLIAM HOFFMAN
KALA BACON

CITY CLERK-ADMINISTRATORGARRETT GRAVES
CITY ATTORNEY..... RICHARD JACKSON
PUBLIC WORKS DIRECTORTIMMY WALDEN



Taylor, Polson & Company, PSC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Tompkinsville, 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 Tompkinsville, 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 Tompkinsville, 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 Tompkinsville, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 8 - 18), budgetary comparison information (pages 74 - 75), and pension and OPEB information (pages 76 - 82) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tompkinsville, Kentucky's basic financial statements. The combining fund financial statements and the Schedules of Revenues and Expenditures - Governmental Fund Types are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are 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 March 23, 2023, on our consideration of the City of Tompkinsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

Honorable Mayor and Members of the City Commission
City of Tompkinsville, Kentucky

Other Reporting Required by Government Auditing Standards - Concluded

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 Tompkinsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tompkinsville, Kentucky's internal control over financial reporting and compliance.

Myer, Polan & Company, PSC

Certified Public Accountants

Glasgow, Kentucky

March 23, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The management of the City of Tompkinsville presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2021. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures.

FINANCIAL HIGHLIGHTS

Assets and Liabilities

- As of June 30, 2021, the City's assets exceeded liabilities by \$3,726,385. Total net assets are comprised of the following:
 1. Net position of \$8,632,221 is invested in property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Net position of \$165,983 is restricted to specific projects by laws, regulations, contractual agreements, or debt service.
 3. Unrestricted net position deficit of (\$5,071,819) represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2021, were \$141,020, and current liabilities payable from unrestricted resources were \$559,265.
- Net position decreased by \$521,734 to \$3,726,385.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$2,922 to a total deficit of \$6,777.
- Net position in the proprietary funds increased \$202,487 to a total of \$4,148,602.

Revenues and Expenditures

- Revenues in governmental funds were \$1,688,988. This amount includes property taxes, occupational licenses and taxes, insurance premiums tax, franchise fees, park and recreation income, and other items.
- Expenditures in the governmental fund type were \$1,958,593. This includes amounts for general government, public safety (police and fire), street department, recycling, park and recreation, capital outlay, and debt service.
- Other financing sources and uses in the governmental fund type were \$266,683. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$3,187,807. This includes charges for utility services (water, sewer, natural gas, and sanitation).
- Expenses in the proprietary fund types totaled \$3,391,052. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses netted \$405,732 of revenue. This amount includes grant income, interest income, bond interest expense, and other income and expense items.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis are intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The statement of net position presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as net position. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Government-wide financial statements are separated into two major categories: 1) governmental activities that are principally supported by taxes and intergovernmental revenues, and 2) business-type activities that are supported with user fees and charges. Governmental activities include administrative functions, streets, public safety (police and fire), recycling, parks and recreation, and special revenue fund (municipal road aid and LGEA). Business-type activities include utility services for water, sewer, natural gas, and sanitation.

Fund Financial Statements

Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Tompkinsville, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds. The City does not have any fiduciary funds, but does use the governmental and proprietary types of funds.

Governmental funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources such as cash, investments, and receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONCLUDED

Fund Financial Statements - Concluded

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. This reconciliation will explain the adjustments necessary to compare the long-term resources and liabilities for the government-wide statements with the current picture presented in the fund statements.

Tompkinsville uses the following governmental funds:

- General Fund
- Municipal Road Aid Fund
- LGEA

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City does not have internal service funds but does have enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. Services are provided to customers external to the City organization such as water utilities, sewer utilities, natural gas utilities, and sanitation.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Tompkinsville uses the following proprietary funds:

- Water
- Sewer
- Natural Gas
- Sanitation

Notes to the Financial Statements

Immediately following the basic financial statements are the Notes to the Financial Statements. Notes provide additional information that is essential to a full understanding of the information included in the financial statements. The notes also provide additional details about the balances and transactions in the City's financial statements.

Other Information

The remainder of this report consists of two types of supplementary information. Required supplementary information must be included to conform with generally accepted accounting principles, while other supplementary information is presented to expand the City's financial presentations. Management's discussion and analysis, the budgetary comparisons for the major funds, and the pension and OPEB information are required supplementary information included in this report. Other supplementary information includes the combining statements for the special revenue funds and the Schedules of Revenues and Expenditures - Governmental Fund Types.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following two pages summarize, in a condensed format, the net position and results of operations of the City, with comparisons to the prior year.

The first statement offers a snapshot of the assets, liabilities, and net position as of the end of each year. Included in the non-current assets are capital assets, reported net of depreciation. The City completed a comprehensive capital asset inventory and compiled the information into a database to help manage the City's investment in these valuable resources.

Of the City's net position in the governmental-type activities, \$41,882 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$124,101 of the City's business-type activities' net position is restricted for debt service.

The second statement presents a brief look at the operations. We offer some broad observations about this year's operations. Compared to the prior year, total governmental revenues increased \$9,277. The utilities had an increase in revenues of \$923,520. The change in net position was a decrease of \$724,221 for governmental-type activities and an increase of \$202,487 for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NET POSITION

	PRIMARY GOVERNMENT					
	Governmental Activities 6-30-21	Governmental Activities 6-30-20	Business-type Activities 6-30-21	Business-type Activities 6-30-20	Total 6-30-21	Total 6-30-20
ASSETS						
Current Assets	131,110	95,383	316,652	389,854	447,762	485,237
Restricted Assets	41,982	64,528	124,119	119,345	166,101	183,873
Non-Current Assets	<u>2,750,186</u>	<u>2,814,565</u>	<u>8,443,746</u>	<u>8,147,164</u>	<u>11,193,932</u>	<u>10,961,729</u>
Total Assets	<u>2,923,278</u>	<u>2,974,476</u>	<u>8,884,517</u>	<u>8,656,363</u>	<u>11,807,795</u>	<u>11,630,839</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,175,996</u>	<u>1,268,460</u>	<u>882,381</u>	<u>602,539</u>	<u>2,058,377</u>	<u>1,870,999</u>
LIABILITIES						
Current Liabilities	276,777	234,678	1,266,752	1,416,063	1,543,529	1,650,741
Liabilities Payable from Restricted Assets	-	-	86,172	77,188	86,172	77,188
Non-Current Liabilities	<u>3,843,890</u>	<u>3,401,993</u>	<u>4,030,718</u>	<u>3,635,215</u>	<u>7,874,608</u>	<u>7,037,208</u>
Total Liabilities	<u>4,120,667</u>	<u>3,636,671</u>	<u>5,383,642</u>	<u>5,128,466</u>	<u>9,504,309</u>	<u>8,765,137</u>
DEFERRED INFLOWS OF RESOURCES	<u>400,824</u>	<u>304,261</u>	<u>234,654</u>	<u>184,321</u>	<u>635,478</u>	<u>488,582</u>
NET POSITION						
Invested in Capital Assets, Net of Debt	2,595,186	2,664,833	6,037,035	5,335,652	8,632,221	8,000,485
Restricted	41,882	51,849	124,101	119,345	165,983	171,194
Unrestricted	<u>(3,059,285)</u>	<u>(2,414,678)</u>	<u>(2,012,534)</u>	<u>(1,508,882)</u>	<u>(5,071,819)</u>	<u>(3,923,560)</u>
TOTAL NET POSITION	<u>(422,217)</u>	<u>302,004</u>	<u>4,148,602</u>	<u>3,946,115</u>	<u>3,726,385</u>	<u>4,248,119</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OPERATING RESULTS

	PRIMARY GOVERNMENT					
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	6-30-21	6-30-20	6-30-21	6-30-20	6-30-21	6-30-20
PROGRAM REVENUES						
Charges for Services	39,104	96,861	3,187,807	2,594,090	3,226,911	2,690,951
Operating Grants and Contributions	168,301	139,362	214,102	4,710	382,403	144,072
Capital Grants and Contributions	244,476	270,248	304,472	184,000	548,948	454,248
GENERAL REVENUES						
Property Taxes	365,276	366,659	-	-	365,276	366,659
Payroll Taxes	736,737	638,924	-	-	736,737	638,924
Occupational Licenses	60,447	70,154	-	-	60,447	70,154
Insurance Premiums Tax	209,915	220,999	-	-	209,915	220,999
Franchise Fees	11,282	31,221	-	-	11,282	31,221
Investment Income	-	86	111	172	111	258
Miscellaneous	70,282	62,029	-	-	70,282	62,029
Total Revenues	1,905,820	1,896,543	3,706,492	2,782,972	5,612,312	4,679,515
PROGRAM EXPENSES						
General Government	717,258	604,233	-	-	717,258	604,233
Public Safety	1,433,898	1,182,144	-	-	1,433,898	1,182,144
Street Department	120,160	89,345	-	-	120,160	89,345
Recycling	238,808	197,146	-	-	238,808	197,146
Parks and Recreation	115,196	95,004	-	-	115,196	95,004
Interest on Long-Term Debt	4,721	1,073	-	-	4,721	1,073
Water	-	-	1,000,006	1,116,169	1,000,006	1,116,169
Sewer	-	-	624,755	566,924	624,755	566,924
Natural Gas	-	-	1,298,536	972,903	1,298,536	972,903
Sanitation	-	-	580,708	608,051	580,708	608,051
Total Expenses	2,630,041	2,168,945	3,504,005	3,264,047	6,134,046	5,432,992
EXCESS BEFORE TRANSFERS	(724,221)	(272,402)	202,487	(481,075)	(521,734)	(753,477)
Transfers	-	91,623	-	(91,623)	-	-
INCREASE (DECREASE) IN NET POSITION	(724,221)	(180,779)	202,487	(572,698)	(521,734)	(753,477)

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONCLUDED

Following are the governmental revenues as a percent of total, to assist in the analysis of the City's activities:

	<u>6-30-21</u>	<u>6-30-20</u>
Charges for Services	3%	5%
Operating Grants and Contributions	8%	7%
Capital Grants and Contributions	12%	14%
Property Taxes	19%	19%
Payroll Taxes	38%	34%
Occupational Licenses	3%	4%
Insurance Premium Tax	12%	12%
Franchise Fees	1%	2%
Miscellaneous	<u>4%</u>	<u>3%</u>
Governmental Revenue	<u>100%</u>	<u>100%</u>

Following are the governmental expenses as a percent of total, to assist in the analysis of the City's activities:

	<u>6-30-21</u>	<u>6-30-20</u>
General Government	27%	28%
Public Safety	56%	55%
Streets	4%	4%
Recycling	9%	9%
Park and Recreation	<u>4%</u>	<u>4%</u>
Governmental Expenses	<u>100%</u>	<u>100%</u>

The business-type activities are shown comparing revenues generated to costs incurred by the related utility services. Water utilities, sewer utilities, natural gas utilities, and sanitation are intended to be self-supporting with user charges and other revenues designed to recover costs. Economic events and weather patterns can either positively or negatively impact these services and costs.

Following are the business-type activities' revenues versus costs:

- Water Fund revenues were \$1,136,766 as compared to costs of \$1,000,006.
- Sewer Fund revenues were \$532,734 as compared to costs of \$624,755.
- Natural Gas Fund revenues were \$1,635,846 as compared to costs of \$1,384,470.
- Sanitation Fund revenues were \$487,080 as compared to costs of 580,708.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - CONTINUED

Governmental Funds - Concluded

with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

Financial information for the City's governmental funds is summarized on the balance sheet for governmental funds and the statement of revenues, expenditures, and changes in fund balances of governmental funds. Governmental fund balances decreased \$2,922, which includes a decrease of \$269,605 from operations and an increase of \$266,683 from other financing sources.

This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds report ending fund balance deficit of \$6,777. Of this year-end total, approximately \$48,659 is unreserved deficit. Reserved fund balances include \$41,882 for road aid restrictions.

Major Governmental Funds

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. Fund balance of the general fund increased by \$7,090.

The special revenue fund is made up of two individual funds (municipal road aid fund and LGEA), which are shown combined in the supplementary information. Fund balance of the special revenue fund decreased by \$10,012.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Financial information for the City's proprietary funds is summarized on the statement of net position for proprietary funds and the statement of revenues, expenses, and changes in net position as well as the statement of cash flows for proprietary fund types. Total net position increased by \$202,487, which includes net operating loss of \$203,245 and net non-operating income of \$405,732.

Major Proprietary Funds

The City of Tompkinsville reports the activities of the water fund, sewer fund, natural gas fund, and sanitation fund.

The water fund reported an increase in net position of \$136,760. The water fund had a loss of \$174,488 from operations and \$311,248 of income from non-operating activities. The water fund reports a net position amount of \$1,751,154 of which \$99,152 is restricted for debt service.

The sewer fund reported a decrease in net position of \$92,021. The sewer fund had a loss of \$87,155 from operations and \$4,866 of expense from non-operating revenues and expenses. The sewer fund reports a net position amount of \$1,892,590 of which \$1,106 is restricted for construction.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – CONCLUDED

Major Proprietary Funds - Concluded

The natural gas fund reported an increase in net position of \$251,376. The natural gas fund had an income of \$254,298 from operations and \$2,922 expense from non-operating expenses. The natural gas fund reports a net position amount of \$762,406 of which \$208 is restricted for gas assistance funds, and \$23,635 for debt service.

The sanitation fund reported a decrease in net position of \$93,628. The sanitation fund had a loss of \$195,900 from operations and \$102,272 of income from non-operating revenues and expenses. The sanitation fund reports a deficit net position amount of \$257,548.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Over the course of the year, the City's budget could be revised by the City Commission. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

The increase in the general fund balance exceeded budget estimates by \$7,090, since revenues were more than budget by \$92,200, and expenditures were less than budget by \$454,432 and other financing sources were less by \$539,542.

Budgetary comparison schedules for major individual funds are found in the required supplementary information.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City invests substantial resources in capital assets that support the services provided to the public. The policies and procedures for capital asset management include a threshold for capitalizing assets. Following are tables summarizing the City's capital assets and long-term debt.

CAPITAL ASSETS	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
Land	1,174,068	626,635	1,800,703
Construction in Progress	20,525	782,639	803,164
Buildings and Improvements	367,633	13,185,202	13,552,835
Equipment and Furnishings	1,196,862	1,436,445	2,633,307
Vehicles	621,708	-	621,708
Streets and Sidewalks	2,106,156	-	2,106,156
Parks and Recreation	551,703	-	551,703
	6,038,655	16,030,921	22,069,576
Accumulated Depreciation	(3,288,469)	(7,588,461)	(10,876,930)
TOTAL	<u>2,750,186</u>	<u>8,442,460</u>	<u>11,192,646</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS -
CONTINUED FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED

LONG-TERM DEBT	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
Capital Leases			
Magnolia Bank, Inc.			
Police Vehicles	105,150	-	105,150
Total Capital Leases	105,150	0	105,150
Loans			
South Central Bank			
Operating	49,850		49,850
South Central Bank			
Moe Lane	-	65,351	65,351
South Central Bank			
Telemetry System	-	78,233	78,233
South Central Bank			
Sludge Pads	-	407,998	407,998
South Central Bank			
4th Street Sewer Rehab	-	90,548	90,548
South Central Bank			
Backhoe	-	25,932	25,932
South Central Bank			
Mini CAT Excavator	-	20,081	20,081
TCF National Bank			
Sanitation Truck	-	36,616	36,616
Total Loans	49,850	724,759	774,609
Bonds			
Revenue Bonds			
1986 Issue - Berkadia	-	43,000	43,000
1998 Issue - USDA RD	-	606,000	606,000
2015 Issue - USDA	-	1,034,500	1,034,500
Total Bonds	0	1,683,500	1,683,500

All of the City's capital leases have been used to acquire capital assets.

NET PENSION LIABILITY

At June 30, 2021, per GASB No. 68 and GASB No. 71, the City of Tompkinsville reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability was \$4,789,180. This amount was allocated proportionately between the governmental activities and the business-type activities.

NET OPEB LIABILITY

At June 30, 2021, per GASB No. 75, the City of Tompkinsville reported a liability for its proportionate share of the net OPEB liability for CERS. The amount recognized by the City as its proportionate share of the net OPEB liability was \$1,208,319. This amount was allocated proportionately between the governmental activities and the business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

THE OUTLOOK FOR NEXT YEAR

As we look forward to the economic outlook for the next fiscal year, the City of Tompkinsville has experienced some difficulties.

The Industrial base located in Tompkinsville and Monroe County is working on job retention and job growth and is diversified. The growth of retail businesses is a concern for the City. The City has not experienced growth in this area as needed, and has had a few businesses to close. It is the City's hope that the citizens will continue to support these small retail businesses. With the recent governmental shutdowns caused by the COVID pandemic, the City has many concerns about how this will affect the community both economically and socially.

The City has a few concerns:

- With recent governmental shutdowns, the future for certain revenues may be affected.
- The cost of materials and supplies for the departments of the City has continued to increase.
- Workers Compensation Insurance increased for the year.
- CERS Pension contribution requirements and regulations have continued to increase.
- Health Insurance Premiums are increasing annually.

With these concerns, the City of Tompkinsville is still committed to finding ways to continue to offer all the services to its citizens that have been offered in the past. In order to do this, the City must explore different avenues for additional revenue.

- The City is in the process of suspending the recycling program for a short period of time.
- The City is looking to reduce expenditures in all departments.

It is the hope of the City that these proposals will help curtail some of the cost and difficulties that the City of Tompkinsville is experiencing.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the City of Tompkinsville's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Michael Bowe, Mayor, 206 N. Magnolia Street, Tompkinsville, Kentucky 42167.

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS			
Cash on Hand and in Banks	100,870	40,150	141,020
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	5,689	-	5,689
Occupational Licenses	23,457	-	23,457
Trade Accounts	-	96,377	96,377
Prepaid Insurance	1,094	-	1,094
Unbilled Revenues	-	64,059	64,059
Internal Receivables	-	116,066	116,066
Total Current Assets	131,110	316,652	447,762
RESTRICTED ASSETS			
Cash and Savings			
Municipal Road Aid	41,882	-	41,882
Gas Assistance	-	208	208
Construction Fund	100	1,106	1,206
Sinking Fund	-	53,477	53,477
Funded Depreciation	-	69,328	69,328
Total Restricted Assets	41,982	124,119	166,101
NON-CURRENT ASSETS			
Capital Assets			
Land	1,174,068	626,635	1,800,703
Construction in Progress	20,525	782,640	803,165
Streets and Infrastructure, Net of Accumulated Depreciation	655,251	-	655,251
Other Capital Assets, Net of Accumulated Depreciation	900,342	7,034,471	7,934,813
Total Non-Current Assets	2,750,186	8,443,746	11,193,932
TOTAL ASSETS	2,923,278	8,884,517	11,807,795
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	823,180	623,635	1,446,815
Deferred OPEB Charges	352,816	258,746	611,562
Total Deferred Outflows of Resources	1,175,996	882,381	2,058,377

LIABILITIES	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
CURRENT LIABILITIES			
Accounts Payable	50,554	295,804	346,358
Accrued Expenses			
Sales and School Tax	-	5,371	5,371
Compensated Absences	22,480	24,371	46,851
Payroll Taxes & Retirement Payable	107,721	72,768	180,489
Wages	21,594	5,453	27,047
Meter Deposits	-	174,697	174,697
Current Portion of Loans Payable	74,428	572,222	646,650
Internal Payables	-	116,066	116,066
Total Current Liabilities	<u>276,777</u>	<u>1,266,752</u>	<u>1,543,529</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Accrued Interest	-	46,672	46,672
Current Portion of Revenue Bonds	-	39,500	39,500
Total Liabilities Payable From Restricted Assets	<u>-</u>	<u>86,172</u>	<u>86,172</u>
NON-CURRENT LIABILITIES			
Long-Term Portion of Financing			
Revenue Bonds			
1986 - Bond Series	-	37,000	37,000
1998 - Bond Series	-	585,000	585,000
2015 - Bond Series	-	1,022,000	1,022,000
Loans Payable			
SCB - Moe Lane	-	56,340	56,340
SCB - Telemetry	-	25,756	25,756
SCB - Backhoe	-	8,730	8,730
SCB - 4th St Sewer Rehab	-	61,711	61,711
Lease One Magnolia Bank	80,572	-	80,572
Net Pension Liability	2,990,053	1,799,127	4,789,180
Net OPEB Liability	773,265	435,054	1,208,319
Total Non-Current Liabilities	<u>3,843,890</u>	<u>4,030,718</u>	<u>7,874,608</u>
TOTAL LIABILITIES	<u>4,120,667</u>	<u>5,383,642</u>	<u>9,504,309</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	159,266	79,211	238,477
Deferred OPEB Credits	241,558	155,443	397,001
Total Deferred Inflows of Resources	<u>400,824</u>	<u>234,654</u>	<u>635,478</u>

**CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF NET POSITION -
CONCLUDED JUNE 30, 2021**

NET POSITION	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
Investment in Capital Assets, Net of Related Debt	2,595,186	6,037,035	8,632,221
Restricted for			
Debt Service	-	122,787	122,787
Gas Assistance Funds	-	208	208
Construction Funds	-	1,106	1,106
Special Revenue Funds	41,882	-	41,882
Unrestricted (Deficit)	<u>(3,059,285)</u>	<u>(2,012,534)</u>	<u>(5,071,819)</u>
TOTAL NET POSITION	<u>(422,217)</u>	<u>4,148,602</u>	<u>3,726,385</u>

See accompanying notes to financial statements.

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

		<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
	<u>Expenses</u>		
FUNCTIONS/PROGRAMS			
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	717,258	-	54,404
Public Safety			
Police	1,407,072	30,340	76,985
Fire	26,826	-	11,000
Street Department	114,947	-	-
LGEA	5,213	-	-
Recycling Department	238,808	6,699	24,555
Park and Recreation	115,196	2,065	1,357
Interest on Long-Term Debt	4,721	-	-
Total Governmental Activities	<u>2,630,041</u>	<u>39,104</u>	<u>168,301</u>
Business-type Activities			
Water	1,000,006	746,281	-
Sewer	624,755	532,734	-
Natural Gas	1,298,536	1,526,465	109,349
Sanitation	580,708	382,327	104,753
Total Business-type Activities	<u>3,504,005</u>	<u>3,187,807</u>	<u>214,102</u>
Total Primary Government	<u>6,134,046</u>	<u>3,226,911</u>	<u>382,403</u>

Program Revenues
Capital Grants
and
Contributions

Net (Expense) Revenue

10,144	(652,710)
-	(1,299,747)
-	(15,826)
47,676	(67,271)
5,213	-
-	(207,554)
181,443	69,669
-	(4,721)
<u>244,476</u>	<u>(2,178,160)</u>
304,472	50,747
-	(92,021)
-	337,278
-	(93,628)
<u>304,472</u>	<u>202,376</u>
<u>548,948</u>	<u>(1,975,784)</u>

**CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES -
CONCLUDED FOR THE YEAR ENDED
JUNE 30, 2021**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
CHANGE IN NET POSITION			
Net (Expense) Revenue	<u>(2,178,160)</u>	<u>202,376</u>	<u>(1,975,784)</u>
General Revenues			
Taxes			
Property Taxes	365,276	-	365,276
Payroll Taxes	736,737	-	736,737
Occupational Licenses	60,447	-	60,447
Insurance Premiums Tax	209,915	-	209,915
Franchise Fees	11,282	-	11,282
Investment Income	-	111	111
Miscellaneous	70,282	-	70,282
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>1,453,939</u>	<u>111</u>	<u>1,454,050</u>
CHANGES IN NET POSITION	(724,221)	202,487	(521,734)
NET POSITION - BEGINNING	<u>302,004</u>	<u>3,946,115</u>	<u>4,248,119</u>
NET POSITION - ENDING	<u>(422,217)</u>	<u>4,148,602</u>	<u>3,726,385</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash on Hand and in Banks	100,870	-	100,870
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	5,689	-	5,689
Occupational Licenses	23,457	-	23,457
Prepaid Insurance	1,094	-	1,094
Restricted Cash	<u>100</u>	<u>41,882</u>	<u>41,982</u>
TOTAL ASSETS	<u>131,210</u>	<u>41,882</u>	<u>173,092</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	50,554	-	50,554
Accrued Expenses			
Payroll Taxes and Retirement Payable	107,721	-	107,721
Wages	<u>21,594</u>	<u>-</u>	<u>21,594</u>
Total Liabilities	<u>179,869</u>	<u>-</u>	<u>179,869</u>
 FUND BALANCES			
Restricted	-	41,882	41,882
Committed	-	-	-
Assigned	-	-	-
Unassigned (Deficit)	<u>(48,659)</u>	<u>-</u>	<u>(48,659)</u>
Total Fund Balances (Deficit)	<u>(48,659)</u>	<u>41,882</u>	<u>(6,777)</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>131,210</u>	<u>41,882</u>	<u>173,092</u>

See accompanying notes to financial statements.

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

Total Fund Balances (Deficit) – Total Governmental Funds (6,777)

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

Capital assets of \$6,038,655, net of accumulated depreciation of (\$3,288,469), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details. 2,750,186

Long-term liabilities of (\$177,480) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details. (177,480)

The City of Tompkinsville's share of net pension liability, deferred outflows of resources and deferred inflows of resources related to its participation in the County Employees Retirement System Pension Plan are not recorded in the governmental funds, but are recorded in the Statement of Net Position. (2,326,139)

The City of Tompkinsville's share of net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the County Employees Retirement System OPEB Plan are not recorded in the governmental funds, but are recorded in the Statement of Net Position. (662,007)

Net Assets of Governmental Activities (422,217)

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Funds	Total Governmental Funds
REVENUES			
Property Taxes	365,276	-	365,276
Payroll Taxes	736,737	-	736,737
Occupational Licenses	60,447	-	60,447
Insurance Premiums Tax	209,915	-	209,915
Franchise Fees	11,282	-	11,282
Intergovernmental Revenue	143,057	52,888	195,945
Penalties and Fines	4,615	-	4,615
Impound Fees	25,725	-	25,725
Parks and Recreation	2,065	-	2,065
Recycling Revenues	6,699	-	6,699
Other	70,282	-	70,282
Total Revenues	<u>1,636,100</u>	<u>52,888</u>	<u>1,688,988</u>
EXPENDITURES			
Current			
General Government	440,818	-	440,818
Public Safety			
Police	948,939	-	948,939
Fire	20,826	-	20,826
Street Department	78,343	12,678	91,021
Recycling	176,273	-	176,273
Park and Recreation	85,786	-	85,786
Capital Outlay			
Police	-	-	-
Streets	40,000	50,222	90,222
Park	55,135	-	55,135
Debt Service			
Principal	44,852	-	44,852
Interest	4,721	-	4,721
Total Expenditures	<u>1,895,693</u>	<u>62,900</u>	<u>1,958,593</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(259,593)</u>	<u>(10,012)</u>	<u>(269,605)</u>
OTHER FINANCING SOURCES			
Interest Income	-	-	-
Donation Income	1,075	-	1,075
Debt Proceeds	49,850	-	49,850
Grant Proceeds	215,758	-	215,758
Transfer In	-	-	-
Total Other Financing Sources	<u>266,683</u>	<u>-</u>	<u>266,683</u>
NET CHANGES IN FUND BALANCES	<u>7,090</u>	<u>(10,012)</u>	<u>(2,922)</u>
FUND BALANCES - BEGINNING	<u>(55,749)</u>	<u>51,894</u>	<u>(3,855)</u>
FUND BALANCES (DEFICIT) - ENDING	<u>(48,659)</u>	<u>41,882</u>	<u>(6,777)</u>

See accompanying notes to financial statements.

**CITY OF TOMPKINSVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021**

Net Change in Fund Balances – Total Governmental Funds (2,922)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of (\$209,737) exceeded capital outlay of \$145,357 in the current period. See Note 3 for additional details. (64,380)

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of (\$49,850) exceeded debt payments of \$44,582. See Note 3 for additional details. (5,268)

Compensated absences are reported in the governmental funds when paid, but reported as a liability in the Statement of Net Position. (3,852)

Changes in the City of Tompkinsville's share of net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds, but are reported in the Statement of Activities. (564,218)

Changes in the City of Tompkinsville's share of net OPEB liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds, but are reported in the Statement of Activities. (83,581)

Change in Net Assets of Governmental Activities **(724,221)**

See accompanying notes to financial statements.

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

ASSETS	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
CURRENT ASSETS					
Cash on Hand and in Banks	13,827	11,533	14,790	-	40,150
Receivables, Net of Allowance for Uncollectible Accounts					
Trade Accounts	30,075	23,007	25,867	17,428	96,377
Unbilled Revenues	20,445	16,130	13,873	13,611	64,059
Internal Receivables	-	31,772	63,551	20,743	116,066
Total Current Assets	64,347	82,442	118,081	51,782	316,652
RESTRICTED ASSETS					
Cash and Savings					
Gas Assistance Fund	-	-	208	-	208
Construction Fund	-	1,106	-	-	1,106
Sinking Fund	40,434	-	13,043	-	53,477
Funded Depreciation	58,718	-	10,610	-	69,328
Total Restricted Assets	99,152	1,106	23,861	-	124,119
NON-CURRENT ASSETS					
Capital Assets					
Land	491,217	8,000	127,418	-	626,635
Construction in Progress	226,673	329,294	226,673	-	782,640
Other Capital Assets, Net of Accumulated Depreciation	2,898,389	1,970,621	2,054,891	110,570	7,034,471
Total Non-Current Assets	3,616,279	2,307,915	2,408,982	110,570	8,443,746
TOTAL ASSETS	3,779,778	2,391,463	2,550,924	162,352	8,884,517
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Pension Charges	199,321	147,540	157,836	118,938	623,635
Deferred OPEB Charges	82,638	61,357	65,799	48,952	258,746
Total Deferred Outflows of Resources	281,959	208,897	223,635	167,890	882,381

LIABILITIES AND NET POSITION	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
CURRENT LIABILITIES					
Accounts Payable	73,414	24,465	147,735	50,190	295,804
Accrued Expenses					
Sales and School Taxes	3,368	-	2,003	-	5,371
Compensated Absences	-	-	18,793	5,578	24,371
Payroll Taxes & Retirement Payable	20,973	17,292	19,718	14,785	72,768
Wages	-	4,233	49	1,171	5,453
Meter Deposits	77,246	-	97,451	-	174,697
Current Portion of Loans Payable	469,486	28,837	37,283	36,616	572,222
Internal Payables	116,066	-	-	-	116,066
Total Current Liabilities	760,553	74,827	323,032	108,340	1,266,752
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Accrued Interest	30,928	3,267	12,477	-	46,672
Current Portion of Revenue Bonds	27,000	-	12,500	-	39,500
Total Liabilities Payable From Restricted Assets	57,928	3,267	24,977	-	86,172
NON-CURRENT LIABILITIES					
Long-Term Portion of Financing Revenue Bonds Payable	622,000	-	1,022,000	-	1,644,000
Loans payable - SCB	82,096	61,711	8,730	-	152,537
Net Pension Liability	576,026	409,874	462,679	350,548	1,799,127
Net OPEB Liability	137,829	102,791	110,622	83,812	435,054
Total Non-Current Liabilities	1,417,951	574,376	1,604,031	434,360	4,030,718
TOTAL LIABILITIES	2,236,432	652,470	1,952,040	542,700	5,383,642
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Credits	25,095	18,715	20,141	15,260	79,211
Deferred OPEB Credits	49,056	36,585	39,972	29,830	155,443
Total Deferred Inflows of Resources	74,151	55,300	60,113	45,090	234,654

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONCLUDED
JUNE 30, 2021

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
NET POSITION					
Invested in Capital Assets, Net of Related Debt	2,433,656	2,214,100	1,315,992	73,287	6,037,035
Restricted for					
Debt Service	99,152	-	23,635	-	122,787
Other	-	1,106	208	-	1,314
Unrestricted (Deficit)	(781,654)	(322,616)	(577,429)	(330,835)	(2,012,534)
TOTAL NET POSITION	<u>1,751,154</u>	<u>1,892,590</u>	<u>762,406</u>	<u>(257,548)</u>	<u>4,148,602</u>

See accompanying notes to financial statements.

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

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
OPERATING REVENUES					
Charges for Services	664,184	484,908	1,400,949	340,395	2,890,436
Miscellaneous	<u>82,097</u>	<u>47,826</u>	<u>125,516</u>	<u>41,932</u>	<u>297,371</u>
Total Operating Revenues	<u>746,281</u>	<u>532,734</u>	<u>1,526,465</u>	<u>382,327</u>	<u>3,187,807</u>
OPERATING EXPENSES					
Salaries and Wages	203,984	138,729	142,185	109,383	594,281
Gas Purchased	-	-	588,399	-	588,399
Landfill	-	1,979	-	157,433	159,412
Utilities and Telephone	98,917	131,701	9,096	110	239,824
Repairs, Materials, and Supplies	26,432	12,133	8,912	11,810	59,287
Insurance	49,090	49,090	50,904	131,427	280,511
Chemicals	89,266	3,437	45,173	-	137,876
Computer Services	6,444	6,444	6,444	56	19,388
Depreciation	146,223	75,469	70,783	48,896	341,371
Gas and Oil	3,335	1,115	15,391	4,185	24,026
Payroll Taxes and Retirement	189,588	113,367	142,952	104,424	550,331
Travel and Trainings	3,455	19,224	13,566	707	36,952
Sales and School Taxes	29,499	-	100,706	-	130,205
Supplies	48,936	32,714	44,103	4,443	130,196
Uniforms	3,432	2,142	1,810	1,754	9,138
Office Expense	3,076	2,305	2,989	575	8,945
Lab Fees	13,229	9,940	-	-	23,169
Legal and Accounting	750	413	113	188	1,464
Contract Labor	2,202	12,940	17,212	1,500	33,854
Dues and Subscriptions	1,010	60	4,066	-	5,136
Other	<u>1,901</u>	<u>6,687</u>	<u>7,363</u>	<u>1,336</u>	<u>17,287</u>
Total Operating Expenses	<u>920,769</u>	<u>619,889</u>	<u>1,272,167</u>	<u>578,227</u>	<u>3,391,052</u>
OPERATING INCOME (LOSS)	(174,488)	(87,155)	254,298	(195,900)	(203,245)
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	79	-	32	-	111
Grant Income	304,472	-	109,349	104,753	518,574
Bond Interest	(30,020)	-	(24,855)	-	(54,875)
Loan Interest	(49,217)	(4,866)	(1,514)	(2,481)	(58,078)
Transfers In (Out)	<u>85,934</u>	<u>-</u>	<u>(85,934)</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>311,248</u>	<u>(4,866)</u>	<u>(2,922)</u>	<u>102,272</u>	<u>405,732</u>
INCREASE (DECREASE) IN NET POSITION	136,760	(92,021)	251,376	(93,628)	202,487
NET POSITION - BEGINNING	<u>1,614,394</u>	<u>1,984,611</u>	<u>511,030</u>	<u>(163,920)</u>	<u>3,946,115</u>
NET POSITION - ENDING	<u>1,751,154</u>	<u>1,892,590</u>	<u>762,406</u>	<u>(257,548)</u>	<u>4,148,602</u>

See accompanying notes to financial statements.

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

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	1,078,627	713,881	1,815,242	784,790	4,392,540
Cash Payments to Suppliers for Goods and Services	(525,730)	(347,861)	(1,012,534)	(577,190)	(2,463,315)
Cash Payments to Employees for Services	(516,339)	(336,715)	(409,904)	(304,298)	(1,567,256)
Other Operating Revenues	<u>82,097</u>	<u>47,826</u>	<u>125,516</u>	<u>41,932</u>	<u>297,371</u>
Net Cash Provided (Used) by Operating Activities	<u>118,655</u>	<u>77,131</u>	<u>518,320</u>	<u>(54,766)</u>	<u>659,340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(132,182)	(39,045)	(465,439)	-	(636,666)
Proceeds from Loans	-	-	-	-	-
Payments on					
Revenue Bonds	(26,000)	-	(12,000)	-	(38,000)
SCB - Notes	(264,603)	(26,777)	(26,367)	-	(317,747)
TCF National Bank	-	-	-	(47,506)	(47,506)
Interest Paid on Revenue Bonds and Notes Payable	(79,564)	(4,866)	(26,369)	(2,481)	(113,280)
Net Cash Used by Capital and Related Financing Activities	<u>(502,349)</u>	<u>(70,688)</u>	<u>(530,175)</u>	<u>(49,987)</u>	<u>(1,153,199)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Grant Proceeds	304,472	-	109,349	104,753	518,574
Transfer (to) from other funds	<u>85,934</u>	<u>-</u>	<u>(85,934)</u>	<u>-</u>	<u>-</u>
Net Cash from (Used by) Non-Capital Financing Activities	<u>390,406</u>	<u>-</u>	<u>23,415</u>	<u>104,753</u>	<u>518,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	<u>79</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>111</u>
NET INCREASE (DECREASE) IN CASH	6,791	1,174	522,600	-	530,565
CASH - BEGINNING OF YEAR	<u>7,036</u>	<u>5,090</u>	<u>3,198</u>	<u>-</u>	<u>15,324</u>
CASH - END OF YEAR	<u>13,827</u>	<u>6,264</u>	<u>525,798</u>	<u>-</u>	<u>545,889</u>

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	(174,488)	(87,155)	254,298	(195,900)	(203,245)
Adjustments for Items not Providing or Using Cash					
Depreciation	146,223	75,469	70,783	48,896	341,371
(Increase) Decrease in					
Receivables, Net of Allowance					
Trade Accounts	9,120	8,585	19,453	454	37,612
Unbilled Revenues	16,716	10,376	11,141	2,330	40,563
Restricted Assets -					
Cash and Savings					
Sinking Funds	(5,345)	-	384	-	(4,961)
Funded Depreciation Funds	(71)	-	-	-	(71)
Other Cash	-	(100)	358	-	258
Pension Deferred Outflows	(55,052)	(39,977)	(42,086)	(31,282)	(168,397)
OPEB Deferred Outflows	(35,957)	(26,553)	(28,346)	(20,589)	(111,445)
Increase (Decrease) in					
Accounts Payable	(522)	(14,663)	25,504	(1,037)	9,282
Accrued Expenses					
Sales and School Taxes	(945)	-	(2,732)	-	(3,677)
Compensated Absences	(6,150)	(2,232)	14,189	470	6,277
Payroll Taxes & Retirement					
Payable	11,348	12,689	12,344	13,342	49,723
Wages	(3,066)	2,571	(2,159)	(420)	(3,074)
Meter Deposits	5,200	-	14,691	-	19,891
Gas Assistance Fund Payble	-	-	(327)	-	(327)
Net Pension Liability	174,972	110,773	140,793	106,671	533,209
Net OPEB Liability	20,915	15,598	16,787	12,718	66,018
Pension Deferred Inflows	(11,133)	(8,304)	(8,936)	(6,770)	(35,143)
OPEB Deferred Inflows	26,890	20,054	22,181	16,351	85,476
Net Cash Provided (Used) by Operating Activities	<u>118,655</u>	<u>77,131</u>	<u>518,320</u>	<u>(54,766)</u>	<u>659,340</u>

See accompanying notes to financial statements.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Tompkinsville have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. As required by GAAP, these financial statements present the City and its component units, which are entities for which the City is financially accountable. The more significant of the Government's accounting policies are described below.

FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The City of Tompkinsville was chartered in 1817. The City operates under a Mayor-Commission form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water, sewer, and natural gas utilities; sanitation; public improvements; park and recreation; recycling; and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statements No. 14 and No. 39 of the Governmental Accounting Standards Board. 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 responsibilities. There are two methods of presentation of component units.

Blended component units, although legally separate entities from the City, are in substance part of the City's operations, so data from the component unit is combined with data of the City. There are no blended component units for the City of Tompkinsville.

Discretely presented component units are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the City. Only the discretely presented component unit disclosures considered essential to the fair presentation of the reporting entity's financial statements are presented in these notes. There are no discretely presented component units for the City of Tompkinsville.

Related Organization

The Tompkinsville Housing Authority, which is excluded from the City's financial statements, is considered a related organization. The Mayor, with City Commission approval, appoints the members to the Housing Authority's Board; however, the City is not financially accountable for the Housing Authority.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONCLUDED

Government-wide Financial Statements - Concluded

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Tompkinsville, like other state and local governments, uses fund accounting to demonstrate compliance with laws, regulations, and contractual agreements that establish authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds. The City does not have any fiduciary funds, but does use the governmental and proprietary fund types.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide statements with the current picture presented in the fund statements.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds: enterprise and internal service funds. The City does not have internal service funds, but does use enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. Services such as water, sewer, natural gas utilities, and sanitation are provided to customers external to the City organization.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to government units.

Beginning July 1, 2003, the City changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. As part of the implementation of GASB Statement No. 34, the City is encouraged, but not required, to report major general infrastructure assets retroactively. Thus, the historical cost of infrastructure assets prior to July 1, 2003, is not included as part of the governmental capital assets reported in the government-wide financial statements.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - CONCLUDED

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

The Statement of Net Position presents assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding debt that is related to the acquisition, construction, and improvement of the capital assets.
- Restricted net position results from restrictions placed by external sources such as creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, franchise taxes (fees), and intergovernmental revenues. In general, other revenues are recognized when cash is received. See Note 3 for related information.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. See Note 3 for information describing restricted assets.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following non-major governmental funds:

Municipal Road Aid Fund – accounts for the revenues and expenditures of Kentucky gas tax refunds.

LGEA Fund – accounts for the revenues and expenditures of mineral severance tax.

Proprietary Funds

The City reports the following major enterprise funds:

Water Fund – accounts for the operating activities of the City's water utilities services.

Sewer Fund – accounts for the operating activities of the City's sewer utilities services.

Natural Gas Fund – accounts for the operating activities of the City's natural gas utilities services.

Sanitation Fund – accounts for the operating activities of the City's sanitation services.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

The City's cash consists of cash on hand and demand deposits. It is the policy of the City of Tompkinsville to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City of Tompkinsville and conforming to all state statutes and the City of Tompkinsville regulations governing the investment of public funds. Additional cash and investment information is presented in Note 3.

CAPITAL ASSETS AND DEPRECIATION

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized, but are expensed as incurred.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS AND DEPRECIATION - CONCLUDED

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than Buildings	20-25
Infrastructure	25-50
Equipment and Furnishings	5-10
Vehicles	3-10

For information describing capital assets, see Note 3.

LONG-TERM DEBT

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts, or premiums, and the difference between the requisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Additional information regarding long-term debt is shown in Note 3.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As defined by GASB Concept Statement No. 4, *Elements of Financial Statements*, deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that is applicable to a future reporting period, respectively.

In addition to assets, the statement of net position and the balance sheet 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. The City currently has one type of deferred outflows of resources: The City reports **deferred pension and OPEB charges** in its statements of net position in connection with its participation in the County Employees Retirement System. These **deferred pension and OPEB charges** are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of net position and the balance sheet 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 of resources (revenue) until that time. The City currently has one type of deferred inflows of resources: The City reports **deferred pension and OPEB credits** in its statements of net position in connection with its participation in the County Employees Retirement System. These **deferred pension and OPEB credits** are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Fund Balances - Governmental Funds

The City of Tompkinsville, Kentucky, has applied GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City of Tompkinsville, Kentucky, is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City does not have any nonspendable resources as of June 30, 2021.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified restricted assets for special revenue funds as being restricted because their use is restricted by State statute for Municipal Road Aid and LGEA expenditures. Debt service resources are to be used for future servicing of the general obligation bond and are restricted through debt covenants.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2021.

Assigned – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The City did not have any assigned resources as of June 30, 2021.

Unassigned – This classification includes amounts that are available for any purpose. At June 30, 2021, the City had the remaining fund balance in the general fund as unassigned.

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

PENSIONS

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -
CONTINUED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PENSIONS - CONCLUDED

recognizes a net pension liability for the pension plan in which it participates, which represents the City's proportionate share of a cost-sharing multiple-employer plan, measured as of the City's fiscal year end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

In government-wide financial statements, OPEB plans are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expenditures on the modified accrual basis of accounting. The City recognizes a net OPEB liability for the OPEB insurance plan in which it participates, which represents the City's proportionate share of a cost-sharing multiple-employer plan, measured as of the City's fiscal year end. Changes in the net OPEB liability during the period are recorded as OPEB expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on qualified OPEB plan investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

ECONOMIC DEPENDENCY

The City of Tompkinsville, Kentucky, purchases its natural gas from Constellation Energy. Due to the nature of the infrastructure system, the City of Tompkinsville, Kentucky, is economically dependent on this supplier. The infrastructure system of the City's enterprise funds serves residents of Tompkinsville and Monroe County.

COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after one year of service, employees are entitled to all accrued vacation leave and part of accrued sick leave upon termination. The estimated liability for vested vacation and sick leave benefits attributable to the City's governmental funds is recorded as an expenditure and a liability in the respective funds.

**CITY OF TOMPKINSVILLE, KENTUCKY NOTES TO
FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

PROPERTY TAXES

Property taxes are recognized as revenues to the extent they are both measurable and available.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budget Policy and Practice

The Mayor submits an annual budget to the City Commission in accordance with the City Charter and Kentucky Revised Statutes. The budget is presented to the City Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Commission adopts the annual fiscal year budgets for City operating funds. Once approved, the City Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that are allowed by the ordinance that alter total expenditures of any fund must be approved by the City Commission. Total expenditures for a fund may not legally exceed the total appropriations. Annual budgets for all governmental fund types were adopted on a basis consistent with accounting principles generally accepted in the United States. Appropriations for annually budgeted funds lapse at the fiscal year end.

3. DETAILED NOTES ON FUNDS

ASSETS

CASH DEPOSITS AND INVESTMENTS

In March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures*, which is effective for periods beginning after June 15, 2004. Risk disclosures in previous financial statements (under the provisions of GASB Statement No. 3) focused only on custodial credit risk. GASB Statement No. 40 addresses not only custodial credit risk, but other common areas of investment risk as well, including interest rate risk, credit risk, and concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONTINUED

ASSETS - CONTINUED

CASH DEPOSITS AND INVESTMENTS - CONCLUDED

Custodial Credit Risk - Concluded

or collateral securities that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third-party custodian.

At June 30, 2021, City of Tompkinsville, Kentucky's (book) deposits were \$306,931, and the bank balance was \$325,453 at South Central Bank. The FDIC insures demand deposits under one custodian up to \$250,000 at one institution, and time deposits are insured for another \$250,000. Bond interest and sinking fund accounts are insured up to \$250,000 per beneficial interest. At June 30, 2020, the City had no funds in excess of FDIC limits.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The City's formal investment policy does limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than two years from the date of purchase. However, the City may collateralize its repurchase agreements using longer dated investments in securities exceeding five years to maturity. Reserve funds may be invested in securities exceeding five years, if maturities of the investments are made to coincide as nearly as practicable with the expected use of the funds.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard outlined in the City's investment policy to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments.

Concentration of Credit Risk

The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the City's investment portfolio by institution, type of investment instrument, and term to maturity is the primary method to minimize investment risk.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

ASSETS - CONTINUED

CASH FLOW STATEMENT

For purposes of the cash flow statement, cash consists of all enterprise fund bank accounts excluding restricted assets.

INVESTMENTS

The funds of the City of Tompkinsville available for investment shall be invested in accordance with the City's investment policy and all applicable state statutes only in the following types of investment instruments:

1. Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
 - a. United States Treasury;
 - b. Export-Import Bank of the United States;
 - c. Farmers Home Administration;
 - d. Government National Mortgage Corporation; and
 - e. Merchant Marine Bonds.
3. Obligations of any corporation of the United States government, including but not limited to:
 - a. Federal Home Loan Mortgage Corporation;
 - b. Federal Farm Credit Banks;
 - c. Bank for Cooperatives;
 - d. Federal Intermediate Credit Banks;
 - e. Federal Land Banks;
 - f. Federal Home Loan Banks;
 - g. Federal National Mortgage Association; and
 - h. Tennessee Valley Authority.
4. Certificates of deposit issued by, or other interest-bearing accounts of, any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -
CONTINUED JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

ASSETS - CONTINUED

INVESTMENTS - CONCLUDED

8. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
9. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b. The management company of the investment company shall have been in operation for at least five years.
 - c. All of the securities in the mutual fund shall be eligible investments under this section.

At June 30, 2021, the City had no investments.

RECEIVABLES

Receivables are amounts due representing revenues earned or accrued in the current period.

General Fund

Property Taxes – The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by the Monroe County Property Valuation Administrator as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Monroe County, and the annual increase in the property tax levy cannot exceed 4%. For the year ended June 30, 2020, taxes were levied on November 1, 2019, and due and payable on December 31, 2019. A 6% discount is given if paid by November 30. A penalty of 2% is charged for the month of January and 6% each month thereafter until they are paid. The tax rates are set by ordinance each year and were .289 per \$100 of assessed value of real and personal property. Liens are not placed on property for delinquent taxes. All property taxes receivable at June 30 are considered delinquent. The allowance for uncollectible taxes is 100% of the prior year's receivables. City property tax revenues are recognized when levied to the extent they result in current receivables in accordance with GASB Statement No. 1, *Revenue Recognition – Property Taxes*. As of June 30, 2020, the receivable for property taxes was \$5,689.

Occupational Licenses - The City accrued Occupational Licenses receivable in the amount of \$23,457, which was collected within 60 days of the year end.

On the following page is a summary of the governmental funds' accounts receivable and allowances for uncollectible accounts as of June 30, 2021.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -
CONTINUED JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

ASSETS - CONTINUED

RECEIVABLES - CONCLUDED

General Fund - Concluded

	Property Taxes	Occupational Licenses
Accounts Receivable	18,340	23,457
Allowance for Uncollectibles	<u>12,651</u>	<u>-</u>
Accounts Receivable, Net of Allowance for Uncollectibles	<u>5,689</u>	<u>23,457</u>

Enterprise Fund Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers, primarily for utility services. Certain enterprise funds report accounts receivable, net of an allowance for uncollectible accounts. The Sanitation is billed at the same time as the Utility Service (Water, Sewer and Gas). The allowance is estimated using an amount equal to the greater of all inactive accounts or 50% of receivables.

Following is a summary of the enterprise funds' accounts receivable and allowances for uncollectible accounts as of June 30, 2021:

	Water	Natural Gas	Sewer	Sanitation	Total Enterprise Funds
Accounts Receivable	60,150	51,733	46,014	34,855	192,752
Allowance for Uncollectibles	<u>(30,075)</u>	<u>(25,866)</u>	<u>(23,007)</u>	<u>(17,428)</u>	<u>(96,376)</u>
Accounts Receivable, Net of Allowance for Uncollectibles	<u>30,075</u>	<u>25,867</u>	<u>23,007</u>	<u>17,427</u>	<u>96,376</u>

RESTRICTED ASSETS

Certain fund assets are restricted for construction funded through long-term debt. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service or revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses, such as the payment of debt service and fiscal fees on long-term debt or mortgage loans. See Note 1 describing priority for use of restricted and unrestricted assets.

CAPITAL ASSETS

Depreciation is recorded on all of the capital assets except for land and construction in progress, which are not depreciable assets. Business-type activities include construction funded with revenue bonds payable and other charges. On the following page is a summary of changes in capital assets.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONTINUED

ASSETS - CONTINUED

CAPITAL ASSETS – CONCLUDED

	Balance 6-30-20	Additions	Deletions	Balance 6-30-21
PRIMARY GOVERNMENT				
Governmental Activities				
Land	1,174,068	-	-	1,174,068
Construction in Progress	20,525	-	-	20,525
Buildings and Improvements	367,633	-	-	367,633
Equipment and Furnishings	1,196,862	-	-	1,196,862
Vehicles	621,708	-	-	621,708
Streets and Sidewalks	2,005,832	100,324	-	2,106,156
Parks and Recreation	<u>496,567</u>	<u>55,136</u>	-	<u>551,703</u>
	5,883,195	155,460	-	6,038,655
Less Accumulated Depreciation	<u>3,068,630</u>	<u>219,839</u>	-	<u>3,288,469</u>
Governmental Activities Capital Assets, Net	<u>2,814,565</u>	<u>(64,379)</u>	<u>-</u>	<u>2,750,186</u>
Business-type Activities				
Land	626,635	-	-	626,635
Construction in Progress	782,639	-	-	782,639
Buildings and Improvements	12,548,538	636,664	-	13,185,202
Equipment	<u>1,436,445</u>	-	-	<u>1,436,445</u>
	15,394,257	636,664	-	16,030,921
Less Accumulated Depreciation	<u>7,247,092</u>	<u>341,369</u>	-	<u>7,588,461</u>
Business-type Activities Capital Assets, Net	<u>8,147,165</u>	<u>295,295</u>	<u>-</u>	<u>8,442,460</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>10,961,730</u>	<u>230,916</u>	<u>-</u>	<u>11,192,646</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONTINUED

ASSETS - CONCLUDED

DEPRECIATION EXPENSE

Depreciation expense was charged to governmental functions as follows:

PRIMARY GOVERNMENT

Governmental Activities

General Government	11,543
Public Safety	
Police	53,764
Fire	3,885
Street Department	53,604
Recycling Department	49,148
Park and Recreation	<u>37,793</u>

Total Depreciation Expense – Governmental Activities	<u>209,737</u>
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Business-type Activities

Water	146,223
Sewer	75,469
Natural Gas	70,782
Sanitation	<u>48,895</u>

Total Depreciation Expense – Business-type Activities	<u>341,369</u>
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TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT	<u>551,106</u>
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LIABILITIES

CAPITAL LEASES AND NOTES PAYABLE – GOVERNMENTAL ACTIVITIES

Magnolia Bank

On February 22, 2019, the City entered into a capital lease with Lease One Magnolia Bank, Inc. to purchase four new Ford Explorer police vehicles for a total of \$158,529. The lease calls for 3 monthly payments of \$9,700 beginning April 15, 2019, then five annual payments of \$28,785 beginning December 15, 2019, for a term of 5 years, including interest at 4%. At June 30, 2021, the balance was \$105,150.

South Central Bank

A note was secured from South Central Bank in the amount of \$49,850. The note bears interest at 3.25% and is due in full June 24, 2021. At June 30, 2021, the balance was \$49,850.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES - CONTINUED

LOANS PAYABLE - BUSINESS-TYPE ACTIVITIES

South Central Bank

The City had to make emergency repairs to Moe Lane to replace a failing culvert. A small portion of the funds came from the emergency fund of Municipal Road Aid, but the majority was borrowed from South Central Bank. The loan bears an interest rate of 4.375% and had a balance of \$65,351 at June 30, 2021.

The City financed the Telemetry System on the water plant through South Central Bank. Loan proceeds of \$250,000 were used to install the new system. Terms of this loan are semiannual payments of \$27,321 for the next 5 years at 3.25%. As of June 30, 2021, the balance was \$78,233.

A note for \$654,200 at South Central Bank was obtained to complete a large overhaul of sludge pads and process at the treatment plant. The note bears interest at 3.75%, and was renewed on September 20, 2019, and is due September 20, 2020. As of June 30, 2021, the balance was \$407,998.

On October 18, 2018, the City financed the 4th Street Sewer Rehab Project with South Central Bank. Loan proceeds of \$117,325 were used to complete this project. The loan bears interest at 4.74% and is due in 4 annual installments of \$32,941 on October 18th each year. At June 30, 2021, the balance was \$90,548.

The City purchased a backhoe and financed the purchase through South Central Bank. The total loan amount was \$82,900. Monthly payments of \$1,471 are due for a term of 5 years at 2.49%. At June 30, 2021, the balance was \$25,932.

A 2017 Mini Cat Excavator was purchased to be used by all departments for various projects around the City. The note bears interest at 3.25%, and is due in annual installments of \$10,545 on December 17th each year. The balance of the loan was \$20,081 as of June 30, 2021.

TCF National Bank

A 2016 Freightliner garbage truck was financed through TCF National Bank in the amount of \$169,347. Annual payments of \$37,119 are due each February, and the interest rate is 3.09%. This note had a balance of \$36,616 at June 30, 2021.

REVENUE BONDS PAYABLE – BUSINESS-TYPE ACTIVITIES

Revenue bonds outstanding consist of debt issued by the various utility funds. In general, the respective facility and revenues derived from them are pledged for the payment of revenue bond debt service.

1986 Issue

The bond ordinance of 1986 authorized \$131,000 of bonds to be issued for the construction of additions, extensions, and improvements to the sewer system. The bonds were purchased by Farmers Home Administration and, subsequently, by Berkadia Commercial Mortgage Corporation. As of June 30, 2021, there is \$43,000 outstanding, with final maturity in 2026.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES -CONTINUED

REVENUE BONDS PAYABLE –BUSINESS-TYPE ACTIVITIES -CONTINUED

1998 Issue

The Water and Sewer Revenue Bond of 1998 was issued to U.S. Department of Agriculture Rural Development (RD) on February 24, 1999, in the amount of \$867,000. The proceeds from this bond issue were used to retire interim financing provided for the construction of the water and wastewater treatment facility. This bond matures each July 1 beginning in 2001, and bears interest at the rate of 4.5%, with \$606,000 outstanding as of June 30, 2021. Final maturity is in 2038.

2015 Issue

Bond ordinance of 2015 was issued by U.S. Department of Agriculture on December 30, 2016, in the amount of \$1,058,000. The Bond proceeds were used to upgrade the gas system of the City. Bonds mature in January starting in 2019, and bear interest at 2.375%. At June 30, 2020, Bonds outstanding were \$1,034,500.

There were heretofore created in the prior bond ordinance the following funds and accounts:

- (a) City of Tompkinsville Waterworks and Sewer Revenue Fund
- (b) City of Tompkinsville Water and Sewer Sinking Fund
- (c) City of Tompkinsville Water and Sewer Depreciation Fund
- (d) City of Tompkinsville Water and Sewer Operation and Maintenance Fund
- (e) City of Tompkinsville Gas Sinking Fund
- (f) City of Tompkinsville Gas Depreciation Fund

All of the funds shall be maintained with the depository bank so long as any bonds remain outstanding.

Flow of Funds

All proceedings preliminary to and in connection with the issuance of the outstanding bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the outstanding bonds; (ii) the operation of the system on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the system; (iv) the enforcement and payment of the outstanding bonds and (v) the depreciation of the system; and all other covenants for the benefit of bond owners set out in the prior bond ordinance, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the outstanding bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the current bonds, the income and revenues of the system shall be collected, segregated, accounted for and distributed as follows:

Revenue Fund

The City covenants and agrees that it will continue to deposit in the revenue fund, promptly as received from time to time, all revenues of the system, as same may be extended and improved from time to time. The moneys in the revenue fund shall continue to be used, disbursed and applied by the City only for the purpose and in the manner and order of priorities specified in the prior bond ordinance, as hereinafter modified by this ordinance, all as permitted by the act, and in accordance with previous contractual commitments.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES – CONTINUED

REVENUE BONDS PAYABLE – BUSINESS-TYPE ACTIVITIES - CONTINUED

First Lien Sinking Fund

There shall be transferred from the revenue fund and deposited into the first lien sinking fund on or before the 20th day of each month, for payment of interest on and principal of the series 1971 bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next succeeding interest payment to become due on all series 1971 bonds then outstanding, plus
2. An amount equal to one-twelfth (1/12) of the principal of all of the series 1971 bonds maturing on the next succeeding January 1.

Said first lien sinking fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the series 1971 bonds.

Prior Reserve Fund

There shall next be transferred from the revenue fund and deposited into the prior reserve fund such funds as are required by the terms of the 1971 bond ordinance to be deposited; and such sums shall be held and applied by the City in the manner required by the 1971 bond ordinance.

Second Lien Sinking Fund

At or after the time that the current bonds have been delivered, there shall be transferred from the construction account into the second lien sinking fund an amount sufficient (currently estimated at \$40,000) to provide for capitalized interest during the construction of the project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the project.

After the monthly transfers required in the preceding paragraphs have been paid from the revenue fund, there shall next be transferred monthly from said revenue fund and deposited into the second lien sinking fund on or before the 20th day of each month, for payment of interest on and principal of the current bonds and the series 1986 and 1998 bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the current bonds and the series 1986 and 1998 bonds then outstanding, plus
2. An amount equal to one-twelfth (1/12) of the principal of any current bonds and the series 1986 and 1998 bonds maturing on the next succeeding January 1.

The second lien sinking fund is hereby pledged for the payment of the interest and the principal of the current bonds and the series 1986 and 1998 bonds, but subject to the vested rights and priorities of the series 1971 bonds.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES – CONTINUED

REVENUE BONDS PAYABLE – BUSINESS-TYPE ACTIVITIES - CONTINUED

Sinking Fund Bonds 2015

Pursuant to General Bond Obligations of 2015, there shall be transferred from the General Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next six-month interest payment to become due on the Current Bonds, plus
2. A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

If the City for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Bonds, as same fall due, such excess may be used for redemption or prepayment of any Bonds, subject to the terms and conditions set forth therein, prior to maturity.

Sinking Fund Requirements

The 1986 and 1998 sinking fund requirements for the next five years are as follows:

Fiscal Year Ending	Principal	Interest	Sinking Fund
6-30-22	27,000	28,798	55,798
6-30-23	29,000	27,505	56,505
6-30-24	30,000	26,142	56,142
6-30-25	31,000	24,735	55,735
6-30-26	33,000	23,258	56,258

The 2015 sinking fund requirements for the next five years are as follows:

Fiscal Year Ending	Principal	Interest	Sinking Fund
6-30-22	12,500	24,570	37,070
6-30-23	13,000	24,272	37,272
6-30-24	13,500	23,964	37,464
6-30-25	14,000	23,644	37,644
6-30-26	14,500	23,311	37,811

**CITY OF TOMPKINSVILLE, KENTUCKY NOTES TO
FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES – CONTINUED

REVENUE BONDS PAYABLE – BUSINESS-TYPE ACTIVITIES - CONTINUED

Depreciation Fund

Pursuant to the provisions of the 1986 bond ordinance which requires that an adjustment be made in the depreciation fund upon the issuance of bonds ranking on a parity with the series 1986 bonds, it is hereby determined that upon the issuance of the 1998 bonds, and upon completion of the project, as certified by the engineers and by the RD, there shall next be transferred from the revenue fund the sum of at least \$470 (increased from \$65) each month which shall be deposited into the depreciation fund until there is accumulated in such depreciation fund the sum of at least \$56,400 (increased from \$7,800), which amount shall be maintained, and when necessary, restored to said sum of \$56,400, so long as any of the bonds are outstanding and unpaid. The current reserve fund had a balance of \$58,718 as of June 30, 2021.

As further security for the bond owners and for the benefit of the City, it has been and is hereby provided that in addition to the monthly transfers required to be made from the revenue fund into the depreciation fund, there shall be deposited into said depreciation fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the system, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the depreciation fund may be withdrawn and used by the City, upon appropriate certification of the City Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the system which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the bonds if the amount on deposit in the sinking fund is not sufficient to make such payments.

Depreciation Fund Bonds 2015

Pursuant to General Bond Obligations of 2015, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by RHS, there shall be transferred from the General Fund the sum of at least \$480 monthly, which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$57,600, which amount shall be maintained, and when necessary, restored to said sum of \$57,600, so long as any of the Current Bonds are outstanding and unpaid. The current reserve fund had a balance of \$10,610 as of June 30, 2021.

Moneys in the Debt Reserve Fund may be withdrawn and used by the City, upon appropriate certification of the City Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or paying the costs of future construction that will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES – CONTINUED

REVENUE BONDS PAYABLE – BUSINESS-TYPE ACTIVITIES - CONTINUED

Depreciation Fund Bonds 2015- Concluded

of making payments of principal and interest on the Current Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

Operation and Maintenance Fund

There shall next be transferred monthly from the revenue fund and deposited into said operation and maintenance fund, sums sufficient to meet the current expenses of operating and maintaining the system. The balance maintained in said operation and maintenance fund shall not be in excess of the amount required to cover anticipated system expenditures for a two-month period pursuant to the City's annual budget.

Monthly Principal and Interest Payments if Requested by the RD

So long as any of the bonds are held or insured by the RD, the City shall, if requested by the RD, make the payments required by Section 402, in monthly installments to the RD or to the insured owners of the bonds.

Surplus Fund

Subject to the provisions for the disposition of the income and revenues of the system as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the revenue fund on such date, to the depreciation fund for application in accordance with the terms of this ordinance or to the sinking fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of outstanding bonds.

Investment and Miscellaneous Provisions

All monies in the sinking fund and the depreciation fund shall be deposited in the depository bank, or such portion thereof as is designated by the City Commission. All monies in the sinking fund and the depreciation fund shall be invested for the benefit of such respective funds in certificates of time deposit or savings accounts of the depository bank or in U.S. obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the City on deposit in the depository bank shall cause the total deposits of the City in said depository bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the outstanding bonds, investments in certificates of deposit may be made only if a separate RD Form 402-4 agreement is executed. Any such investments will be a part of the respective funds from which the proceeds invested are derived, and income from such investments will be credited to such respective funds. All investments of funds derived from proceeds of the outstanding bonds shall be subject to the applicable limitations set out in Section 303 hereof.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES – CONTINUED

REVENUE BONDS PAYABLE – BUSINESS-TYPE ACTIVITIES - CONCLUDED

Investment and Miscellaneous Provisions - Concluded

All payments into the funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day. The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any bonds.

All monies held in any of the funds shall be kept apart from all other City funds and shall be deposited in the depository bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. obligations, having a market value equivalent to such deposit.

Bond Subordination and Parity

It is hereby certified and declared that prior to the issuance of any of the current bonds, there will have been procured and filed with the City Clerk of the City (i) a letter from the RD to the effect that the RD agrees to the issuance of the current bonds ranking on a parity as to security and source of payment with the prior bonds, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the series 1986 bonds held by the RD, evidencing the agreement of the RD as the then owner of the series 1986 bonds, to the issuance of the current bonds so as to rank on a parity with the series 1986 bonds, such legend to be in substantially the following form:

The holder of this bond has consented to the issuance of \$867,000 of City of Tompkinsville Water and Sewer Revenue Bonds, Series 1998 ranking on a parity as to security and source of payment with this bond.

Accordingly, it is hereby found and declared that the current bonds shall rank and be payable on a parity with said outstanding series 1986 bonds from the gross income and revenues of the system, provided that the current bonds and the series 1986 bonds shall be subordinate to the lien and pledge of the series 1971 bonds on the gross revenues of the system.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES – CONTINUED

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Balance 7-1-20</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6-30-21</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities - Capital Leases					
Magnolia Bank, Inc. 4% Interest Matures 12/15/23	149,732	-	44,582	105,150	24,578
Governmental Activities - Loans Payable					
South Central Bank Operation Loan 3.25% Interest Matures 6/24/21	<u>-</u>	<u>49,850</u>	<u>-</u>	<u>49,850</u>	<u>49,850</u>
Total Governmental Activities - Capital Leases and Loans	<u>149,732</u>	<u>49,850</u>	<u>44,582</u>	<u>155,000</u>	<u>74,428</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES - CONTINUED

CHANGES IN LONG-TERM DEBT – CONTINUED

	Balance 7-1-20	Issued	Retired	Balance 6-30-21	Due Within One Year
PRIMARY GOVERNMENT					
Business-type Activities - Loans Payable					
South Central Bank 4.375% Interest Matures 12/19/26	74,010	-	8,659	65,351	9,011
South Central Bank 3.25% Interest Matures 12/19/21	129,034	-	50,801	78,233	52,477
South Central Bank 3.75% Interest Matures 09/20/20	613,141	-	205,143	407,998	407,998
South Central Bank 4.74% Interest Matures 10/18/22	117,325	-	26,777	90,548	28,837
South Central Bank 2.49% Interest Matures 01/01/22	42,718	-	16,786	25,932	17,202
South Central Bank 3.25% Interest Matures 12/17/21	29,662	-	9,581	20,081	20,081
TCF National Bank 3.09% Interest Matures 01/01/22	84,122	-	47,506	36,616	36,616
Total Business-type Activities - Loans Payable	<u>1,090,012</u>	<u>-</u>	<u>365,253</u>	<u>724,759</u>	<u>572,222</u>
PRIMARY GOVERNMENT					
Business-type Activities - Revenue Bonds Payable					
1986 Issue - Berkadia	49,000	-	6,000	43,000	6,000
1998 Issue - Rural Dev	626,000	-	20,000	606,000	21,000
2015 Issue - USDA	1,046,500	-	12,000	1,034,500	12,500
Total Business-type Activities - Revenue Bonds Payable	<u>1,721,500</u>	<u>-</u>	<u>38,000</u>	<u>1,683,500</u>	<u>39,500</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES - CONTINUED

CHANGES IN LONG-TERM DEBT – CONCLUDED

The debt service requirements at June 30, 2021, were as follows:

PRIMARY GOVERNMENT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities			
Capital Leases			
June 30, 2022	74,428	5,826	80,254
June 30, 2023	25,562	3,223	28,785
June 30, 2024	26,585	2,200	28,785
June 30, 2025	28,424	1,137	29,561
June 30, 2026	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>154,999</u>	<u>12,386</u>	<u>167,385</u>
Business-type Activities			
Loans Payable			
June 30, 2022	572,222	25,732	597,954
June 30, 2023	73,879	5,540	79,419
June 30, 2024	41,455	3,237	44,692
June 30, 2025	10,158	1,338	11,496
June 30, 2026	10,572	924	11,496
June 30, 2027	<u>11,472</u>	<u>573</u>	<u>12,045</u>
	<u>719,758</u>	<u>37,344</u>	<u>757,102</u>
Revenue Bonds Payable			
June 30, 2022	39,500	53,367	92,867
June 30, 2023	42,000	51,778	93,778
June 30, 2024	43,500	50,106	93,606
June 30, 2025	45,000	48,378	93,378
June 30, 2026	47,500	46,568	94,068
June 30, 2027 - 2031	233,500	178,213	411,713
June 30, 2032 - 2036	279,500	172,174	451,674
June 30, 2037 - 2041	301,000	116,983	417,983
June 30, 2042 - 2046	158,500	70,217	228,717
June 30, 2047 - 2051	196,000	49,685	245,685
June 30, 2052 - 2056	243,000	25,570	268,570
June 30, 2057	<u>54,500</u>	<u>1,294</u>	<u>55,794</u>
	<u>1,683,500</u>	<u>864,333</u>	<u>2,547,833</u>
Total Business-type Activities	<u>2,403,258</u>	<u>901,677</u>	<u>3,304,935</u>

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

3. DETAILED NOTES ON FUNDS - CONTINUED

LIABILITIES - CONCLUDED

RISK MANAGEMENT

The City is exposed to various forms of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees, and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City has purchased certain policies, which are retrospectively rated, including worker's compensation insurance. The City purchases unemployment insurance through the Kentucky League of Cities; however, risk has not been transferred to that fund. 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 loss contingency. Claims expenditures and liabilities would be reported in the affected fund if and when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

INTERNAL RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds include outstanding charges by one fund to another for subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as internal receivable/payable.

Internal receivable and payable balances at June 30, 2020, are as follows:

	Internal Receivables	Internal Payables
PRIMARY GOVERNMENT		
Governmental-type Activities		
General Fund	-	-
Business-type Activities		
Water	-	116,066
Sewer	31,772	-
Gas	63,551	-
Sanitation	<u>20,743</u>	<u>-</u>
Total	<u>116,066</u>	<u>116,066</u>

TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions and funding capital asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers as reported within the governmental activities column.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021

3. DETAILED NOTES ON FUNDS - CONCLUDED

**BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY –
CONCLUDED**

TRANSFERS AND PAYMENTS - CONCLUDED

The following schedule reports transfers and payments within the reporting entity:

	Transfers To	Transfers From
General	-	-
Water	85,934	-
Sewer	-	-
Gas	-	85,394
Sanitation	-	-
	<hr/>	<hr/>
Total	<u>85,934</u>	<u>85,394</u>

4. RETIREMENT PLAN

Pension Plan Description and Benefits

The City of Tompkinsville, Kentucky is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer public employee retirement system. CERS is administered by Kentucky Retirement Systems Board of Trustees pursuant to KRS 78.510-78.852. All full-time employees are required to participate in the Plan as well as any part-time employees who average one hundred or more hours per month. The plan provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by state statute. Benefits are based on a factor of numbers of year's 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 beneficiary will receive the higher of the normal death benefits and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

The Kentucky Retirement System (KRS) issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report is available at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, Premier Park West, 1260 Louisville Road, Frankfort, Kentucky 40601. CERS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to statutory requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

4. RETIREMENT PLAN - CONTINUED

Pension Plan Description and Benefits - Concluded

For retirement purposes, employees are grouped into three tiers, based on hire date:

Hazardous

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	20 years of service or 55 years old
	Reduced retirement	At least 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of service and 60 years old or at least 25 of service and any age
	Reduced retirement	At least 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 60 years old or 25 years of service
	Reduced retirement	Not available

Non-Hazardous

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

Contributions - Required contributions by the employee are based on the tier:

	<u>Hazardous</u>	<u>Non-Hazardous</u>
Tier 1	8%	5%
Tier 2	8% + 1% for insurance	5% + 1% for insurance
Tier 3	8% + 1% for insurance	5% + 1% for insurance

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

4. RETIREMENT PLAN - CONTINUED

Pension Contributions

The Board of Trustees of KRS determines the City's required pension contribution rate annually for hazardous and non-hazardous covered employees, 30.06% and 19.30%, respectively, for the year ended June 30, 2021.

The payroll for hazardous and non-hazardous employees covered by CERS for the year ended June 30, 2020, was \$307,506 and \$868,847, respectively; the City's total payroll was \$1,323,369. The contribution payments for the year ended June 30, 2020, were \$399,481, which consisted of \$330,756 from the City and \$68,725 from employees. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability was \$4,789,180. The net pension liability for the plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2019, the City proportion was .073640% for hazardous and .039464% for non-hazardous.

For the year ended June 30, 2021, the City recognized pension expense of \$1,217,083. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>HAZARDOUS</u>		<u>NON-HAZARDOUS</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	86,426	-	70,867	11,727
Changes of assumptions	197,454	-	280,914	-
Net difference between projected and actual earnings on pension plan investments	31,292	60,081	53,279	98,022
Changes in proportion and differences between employer contributions and proportionate share of contributions	79,975	57,574	383,484	11,073
Employer contributions subsequent to the measurement date	<u>92,346</u>	<u>-</u>	<u>167,688</u>	<u>-</u>
Total	<u>487,493</u>	<u>117,655</u>	<u>956,232</u>	<u>120,822</u>

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -
CONTINUED JUNE 30, 2021**

4. RETIREMENT PLAN - CONTINUED

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

The \$92,346 (Hazardous) and \$167,688 (Non-Hazardous) reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

**DEFERRED AMOUNT TO BE RECOGNIZED IN FISCAL YEARS
FOLLOWING THE REPORTING DATE**

	Hazardous	Non- Hazardous
June 30, 2022	213,058	364,412
June 30, 2023	51,697	221,480
June 30, 2024	10,904	78,657
June 30, 2025	1,833	3,174

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

The total pension liability, net pension liability and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the Plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

The total pension liability as of June 30, 2020, was determined using these assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the 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 base year of 2019. 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 rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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 table on the following page.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

4. RETIREMENT PLAN - CONTINUED

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

<u>Asset Class</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%		
US Equity		18.75%	4.30%
Non-US Equity		18.75%	4.80%
Private Equity		10.00%	6.65%
Specialty Credit/High Yield		15.00%	2.60%
Liquidity	14.50%		
Core Bonds		13.50%	1.35%
Cash		1.00%	0.20%
Diversifying Strategies	23.00%		
Real Estate		5.00%	4.85%
Opportunistic		3.00%	2.97%
Real Return		15.00%	4.10%
Total		<u>100.00%</u>	<u>3.89%</u>

Discount Rate - Pension

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumed 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 City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City, calculated using the discount rates selected by CERS as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Discount Rate</u>	<u>Proportionate Share of Net Pension Liability</u>
Hazardous		
1% Decrease	5.25%	2,543,149
Current Discount Rate	6.25%	2,034,154
1% Increase	7.25%	1,616,852
Non-hazardous		
1% Decrease	5.25%	3,471,389
Current Discount Rate	6.25%	2,775,521
1% Increase	7.25%	2,195,521

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021**

4. RETIREMENT PLAN - CONCLUDED

Actuarial Methods and Assumptions Used to Determine the Actuarially Determined Contribution

The following were the actuarial methods and assumptions used to determine the actuarial contributions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS, included in Kentucky Retirement Systems Comprehensive Annual Financial Report. The effect of CERS on the City's net position has been determined on the same basis used by CERS.

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Medical Insurance Plan Description and Benefits

In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement health care benefits to eligible members and dependents. Changes to the medical insurance plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -
CONTINUED JUNE 30, 2021**

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

Medical Insurance Plan Description and Benefits - Concluded

The amounts of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15 - 19 years	75.00%
10 - 14 years	50.00%
4 - 9 years	25.00%
Less than 4 years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service.

This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes.

OPEB Contributions

The Board of Trustees of KRS determines the City's required OPEB contribution rate annually, for hazardous and non-hazardous covered payroll, 9.52% and 4.76%, respectively for the year ended June 30, 2021. The contribution requirement for the year ended June 30, 2020, was \$79,774, which consisted of \$70,632 from the City and \$9,142 from employees.

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 for its proportionate share of the net OPEB liability for CERS. The amount recognized by the City as its proportionate share of the net OPEB liability was \$1,208,319. The net OPEB liability for the plan was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2020, the City's proportion was .073625% for hazardous and .039454% for non-hazardous.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$184,352. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>HAZARDOUS</u>		<u>NON-HAZARDOUS</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	-	101,336	-	200,223
Changes of assumptions	164,612	1,031	196,365	1,313
Net difference between projected and actual earning on plan investments	3,722	35,040	4,371	33,845
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,035	22,809	154,936	805
Employer contributions subsequent to the measurement date	<u>29,275</u>	<u>-</u>	<u>41,357</u>	<u>-</u>
Total	<u>220,644</u>	<u>160,216</u>	<u>397,029</u>	<u>236,186</u>

The \$29,275 (Hazardous) and \$41,357 (Non-Hazardous) 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30	Hazardous	Non- Hazardous
2022	37,173	26,056
2023	8,200	26,056
2024	(12,842)	35,427
2025	(1,377)	17,403
2026	-	11,109
Thereafter	-	3,435

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021**

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

Actuarial Methods and Assumptions for Determining the Total OPEB Liability and Net OPEB Liability

The total OPEB liability, net OPEB liability and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date (June 30, 2019) to the Plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

The total OPEB liability as of June 30, 2020, was determined using these assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return	6.25%
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
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate 4.05% over a period of 10 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the 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

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONTINUED
JUNE 30, 2021**

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

Actuarial Methods and Assumptions for Determining the Total OPEB Liability and Net OPEB Liability - Concluded

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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 table below.

<u>Asset Class</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%		
US Equity		18.75%	4.30%
Non-US Equity		18.75%	4.80%
Private Equity		10.00%	6.65%
Specialty Credit/High Yield		15.00%	2.60%
Liquidity	14.50%		
Core Bonds		13.50%	1.35%
Cash		1.00%	0.20%
Diversifying Strategies	23.00%		
Real Estate		5.00%	4.85%
Opportunistic		3.00%	2.97%
Real Return		15.00%	4.10%
Total		<u>100.00%</u>	3.89%

Discount Rate - OPEB

The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The tables on the following page present the net OPEB liability, calculated using the discount and healthcare cost trend rates selected by CERS as well as what the net OPEB liability would be if it were calculated using a discount rate or healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate - Concluded

The following tables present the net OPEB liability, calculated using the discount and healthcare cost trend rates selected by CERS as well as what the net OPEB liability would be if it were calculated using a discount rate or healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Table 1 - Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	<u>Discount Rate</u>	<u>Proportionate Share of Net OPEB Liability</u>
Hazardous		
1% Decrease	4.69%	759,997
Current Discount Rate	5.69%	544,722
1% Increase	6.69%	369,981
Non-Hazardous		
1% Decrease	4.68%	888,949
Current Discount Rate	5.68%	663,599
1% Increase	6.68%	477,925

Table 2 - Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	<u>Healthcare Cost Trend Rate</u>	<u>Proportionate Share of Net OPEB Liability</u>
Hazardous		
1% Decrease	4.69%	379,026
Current Healthcare Cost Trend Rate	5.69%	544,722
1% Increase	6.69%	746,862
Non-Hazardous		
1% Decrease	4.68%	493,522
Current Healthcare Cost Trend Rate	5.68%	663,599
1% Increase	6.68%	869,837

**CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -
CONTINUED JUNE 30, 2021**

5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONCLUDED

Actuarial Methods And Assumptions Used To Determine The Actuarially Determined Contribution

The following were the actuarial methods and assumptions used to determine the actuarial contributions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years
Phase-in-Provision	Board certified rate is phased into the actuarially rate in accordance with HB362 enacted in 2018 for CERS non-hazardous

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial reports of CERS, included in Kentucky Retirement Systems Comprehensive Annual Financial Report. The effect of CERS on the City's net position has been determined on the same basis used by CERS.

The Kentucky Retirement System (KRS) issues a publicly available financial report that includes financial statements and required supplementary information from CERS OPEB plan. This report is available at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, Premier Park West, 1260 Louisville Road, Frankfort, Kentucky 40601. CERS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to statutory requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS -CONCLUDED
JUNE 30, 2021

6. COMMITMENTS AND CONTINGENCIES

The City has been notified that certain areas may not have been annexed properly in the past. This could result in the City owing payroll and property taxes back to citizens. No suits have been filed yet, and the City is defending the claims. Management cannot predict an outcome of this matter or reasonably estimate any potential loss.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final
	Original	Final	GAAP Basis	Budget
REVENUES				
Property Taxes	365,000	365,000	365,276	276
Payroll Taxes	720,000	720,000	736,737	16,737
Occupational Licenses	60,000	60,000	60,447	447
Insurance Premiums Tax	210,000	210,000	209,915	(85)
Franchise Fees	20,000	20,000	11,282	(8,718)
Intergovernmental Revenues	56,000	56,000	143,057	87,057
Penalties and Fines	4,100	4,100	4,615	515
Impound Fees	30,000	30,000	25,725	(4,275)
Parks and Recreation	1,800	1,800	2,065	265
Recycling Revenues	12,000	12,000	6,699	(5,301)
Other	65,000	65,000	70,282	5,282
Total Revenues	1,543,900	1,543,900	1,636,100	92,200
EXPENDITURES				
Current				
General Government	877,830	877,830	440,818	437,012
Public Safety				
Police	1,028,512	1,028,512	948,939	79,573
Fire	14,000	14,000	20,826	(6,826)
Street Department	50,000	50,000	78,343	(28,343)
Recycling	141,400	141,400	176,273	(34,873)
Parks and Recreation	103,383	103,383	85,786	17,597
Capital Outlay				
Police	15,000	15,000	-	15,000
Streets	40,000	40,000	40,000	-
Park	30,000	30,000	55,135	(25,135)
Debt Service				
Principal	45,000	45,000	44,852	148
Interest	5,000	5,000	4,721	279
Total Expenditures	2,350,125	2,350,125	1,895,693	454,432
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(806,225)	(806,225)	(259,593)	546,632
OTHER FINANCING SOURCES				
Interest Income	80	80	-	(80)
Donation Income	6,500	6,500	1,075	(5,425)
Debt Proceeds	50,000	50,000	49,850	(150)
Grant Proceeds	200,000	200,000	215,758	15,758
Transfers In	549,645	549,645	-	(549,645)
Total Other Financing Sources	806,225	806,225	266,683	(539,542)
NET CHANGES IN FUND BALANCES	-	-	7,090	7,090
FUND BALANCES - BEGINNING	-	-	(55,749)	(55,749)
FUND BALANCES - ENDING	0	0	(48,659)	(48,659)

See independent auditor's report.

**CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
			GAAP Basis	Budget
REVENUES				
Intergovernmental Revenues	<u>54,000</u>	<u>54,000</u>	<u>52,888</u>	<u>(1,112)</u>
Total Revenues	<u>54,000</u>	<u>54,000</u>	<u>52,888</u>	<u>(1,112)</u>
EXPENDITURES				
Current				
Street Department	54,000	54,000	12,678	41,322
Capital Outlay				
Street MRA	<u>-</u>	<u>-</u>	<u>50,222</u>	<u>(50,222)</u>
Total Expenditures	<u>54,000</u>	<u>54,000</u>	<u>62,900</u>	<u>(8,900)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>0</u>	<u>0</u>	<u>(10,012)</u>	<u>(10,012)</u>
OTHER FINANCING SOURCES (USES)				
Interest Income	-	-	-	-
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(10,012)</u>	<u>(10,012)</u>
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>51,894</u>	<u>51,894</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>41,882</u></u>	<u><u>41,882</u></u>

See independent auditor's report.

**CITY OF TOMPKINSVILLE, KENTUCKY
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
County Employees' Retirement System**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability					
Hazardous	.05257%	.05414%	.05633%	.07019%	.077854%
Non-Hazardous	.01872%	.02205%	.02968%	.02779%	.031705%
City's proportionate share of the net pension liability					
Hazardous	631,835	831,499	966,561	1,507,279	1,882,865
Non-Hazardous	607,282	946,091	1,461,503	1,626,517	1,930,931
City's covered payroll					
Hazardous	288,019	314,499	385,285	435,845	385,285
Non-Hazardous	515,907	721,143	676,580	780,710	626,211
City's proportionate share of the net pension liability as a percentage of its covered payroll					
Hazardous	219.37%	264.26%	250.09%	360.28%	488.69%
Non-Hazardous	117.71%	132.85%	212.98%	208.34%	308.35%
Plan fiduciary net position as a percentage of the total pension liability					
Hazardous	63.46%	57.52%	53.95%	49.80%	49.27%
Non-Hazardous	66.80%	59.97%	55.50%	53.33%	53.55%

	<u>2020</u>
City's proportion of the net pension liability	
Hazardous	.073640%
Non-Hazardous	.039464%
City's proportionate share of the net pension liability	
Hazardous	2,034,154
Non-Hazardous	2,775,521
City's covered payroll	
Hazardous	419,389
Non-Hazardous	1,127,235
City's proportionate share of the net pension liability as a percentage of its covered payroll	
Hazardous	485.03%
Non-Hazardous	246.62%
Plan fiduciary net position as a percentage of the total pension liability	
Hazardous	46.63%
Non-Hazardous	50.45%

(The amounts presented were determined as of the previous fiscal year end date.)

**SCHEDULE OF CITY'S CONTRIBUTIONS
County Employees' Retirement System**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution					
Hazardous	107,905	126,951	135,373	86,623	104,302
Non-Hazardous	<u>127,426</u>	<u>115,425</u>	<u>145,837</u>	<u>99,383</u>	<u>182,837</u>
	235,331	242,376	281,210	186,006	287,139
Contributions in relation to the contractually required contribution	<u>(235,331)</u>	<u>(242,376)</u>	<u>(281,210)</u>	<u>(186,006)</u>	<u>(287,139)</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll					
Hazardous	314,499	385,285	435,845	385,285	419,389
Non-Hazardous	721,143	676,580	780,710	626,211	1,127,235
Contribution as a percentage of covered payroll					
Hazardous	34.31%	32.95%	31.06%	22.20%	24.86%
Non-Hazardous	17.67%	17.06%	18.68%	14.48%	16.22%

**SCHEDULE OF CITY'S CONTRIBUTIONS
County Employees' Retirement System**

	<u>2020</u>
Contractually required contribution	
Hazardous	92,436
Non-Hazardous	<u>167,687</u>
	260,123
Contributions in relation to the contractually required contribution	<u>(260,123)</u>
Contribution deficiency	<u><u>-</u></u>
City's covered payroll	
Hazardous	307,506
Non-Hazardous	868,847
Contribution as a percentage of covered payroll	
Hazardous	30.06%
Non-Hazardous	19.30%

(The amounts presented were determined as of the current fiscal year end date.)

*Schedules on the preceding 2 pages are intended to show information for 10 years.
Additional years will be displayed as they become available.*

Notes to Required Supplementary Information:

Changes of benefit terms: None

Changes of assumptions: None

See independent auditor's report.

**CITY OF TOMPKINSVILLE, KENTUCKY
GASB 75 REQUIRED SUPPLEMENTARY
INFORMATION JUNE 30, 2021**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
County Employees' Retirement System**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net OPEB liability			
Hazardous	.070187%	.077859%	.073625%
Non-Hazardous	.027788%	.031704%	.039454%
City's proportionate share of the net OPEB liability			
Hazardous	580,216	555,103	544,722
Non-Hazardous	558,634	562,898	663,599
City's covered payroll			
Hazardous	435,854	385,285	419,389
Non-Hazardous	780,710	626,211	1,127,235
City's proportionate share of the net OPEB liability as a percentage of its covered payroll			
Hazardous	133.12%	144.08%	129.88%
Non-Hazardous	71.55%	89.89%	58.87%
Plan fiduciary net position as a percentage of the total OPEB liability			
Hazardous	59.00%	64.25%	64.44%
Non-Hazardous	52.40%	57.63%	60.44%

(The amounts presented were determined as of the previous fiscal year end date.)

**SCHEDULE OF CITY'S CONTRIBUTIONS
County Employees' Retirement System**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution			
Hazardous	33,046	43,910	29,275
Non-Hazardous	<u>28,801</u>	<u>59,294</u>	<u>41,357</u>
	61,847	103,204	70,632
Contributions in relation to the contractually required contribution	(61,847)	(103,204)	(70,632)
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll			
Hazardous	385,285	419,389	307,506
Non-Hazardous	626,211	1,127,235	868,847
Contribution as a percentage of covered payroll			
Hazardous	9.35%	10.47%	9.52%
Non-Hazardous	4.70%	5.26%	4.76%

(The amounts presented were determined as of the current fiscal year end date.)

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

Notes to Required Supplementary Information:

Changes of benefit terms: None

Changes of assumptions: None

See independent auditor's report

SUPPLEMENTARY INFORMATION

**CITY OF TOMPKINSVILLE, KENTUCKY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2021**

	Municipal Road Aid	LGEA	Total
ASSETS			
Cash in Banks	41,882	-	41,882
Due from Other Governments	-	-	-
TOTAL ASSETS	<u>41,882</u>	<u>0</u>	<u>41,882</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	-	-	-
FUND BALANCES - RESTRICTED	<u>41,882</u>	<u>-</u>	<u>41,882</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>41,882</u>	<u>0</u>	<u>41,882</u>

See independent auditor's report.

**CITY OF TOMPKINSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Municipal Road Aid	LGEA	Total
REVENUES			
Intergovernmental Revenue	<u>47,676</u>	<u>5,212</u>	<u>52,888</u>
Total Revenues	<u>47,676</u>	<u>5,212</u>	<u>52,888</u>
EXPENDITURES			
Streets	7,466	-	7,466
Capital Outlay MRA	50,222	-	50,222
LGEA	<u>-</u>	<u>5,212</u>	<u>5,212</u>
Total Expenditures	<u>57,688</u>	<u>5,212</u>	<u>62,900</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,012)</u>	<u>0</u>	<u>(10,012)</u>
OTHER FINANCING SOURCES (USES)			
Interest Income	<u>-</u>	<u>-</u>	<u>-</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGES IN FUND BALANCES	<u>(10,012)</u>	<u>0</u>	<u>(10,012)</u>
FUND BALANCES - BEGINNING	<u>51,894</u>	<u>-</u>	<u>51,894</u>
FUND BALANCES - ENDING	<u><u>41,882</u></u>	<u><u>0</u></u>	<u><u>41,882</u></u>

See independent auditor's report.



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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**

Honorable Mayor and Members of the City Commission
City of Tompkinsville, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Tompkinsville, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Tompkinsville, Kentucky's basic financial statements, and have issued our report thereon dated March 23, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Tompkinsville, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tompkinsville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tompkinsville, 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; therefore, material weaknesses may exist that were not identified.

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

Internal Control Over Financial Reporting - Concluded

We did identify a deficiency in internal control that we consider to be a material weakness. This is a repeat finding from the two previous audits.

Condition: The City lacks an accounting professional who can accurately present the financial statements in accordance with generally accepted accounting principles.

Criteria: In order to present financial statements in accordance with generally accepted accounting principles, the City should make certain adjustments for fixed assets, long-term debt, the pension and OPEB liabilities, and certain other reconciliation of the books.

Cause: The clerk has not yet obtained the knowledge needed to make the appropriate adjustments.

Effect: Because of the failure to make certain adjustments, the financial reporting of assets, liabilities, and net position may be over- or understated.

Recommendation: The City Clerk needs additional training in the areas of accounting and financial statement preparation. In addition, we recommend the continued use of an outside accountant.

Auditee response: The City of Tompkinsville, Kentucky agrees with the findings and will seek additional training for the City Clerk, and continue using an outside accountant.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tompkinsville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Condition: At June 30, 2021, the City had approximately \$63,000 in the over-30-day category of accounts payable.

Criteria: KRS 65.140 requires invoices be paid within 30 days of receipt.

Cause: Due to the significant loss of revenue during the past year, the City has experienced cash flow problems.

Effect: The cash flow problems have caused a delay in paying invoices within 30 days. The City could incur significant late charges and damage to the City's credit ratings.

Recommendation: We recommend the City develop new sources of revenue, such as the increase in payroll tax withholdings and the change in occupational license fees.

Auditee response: The City has already implemented the above-mentioned changes. We also briefly suspended the recycling program, and we have outsourced the Sanitation Department.

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

Compliance and Other Matters - Concluded

Condition: At June 30, 2021, the City owed approximately \$37,000 in prior quarters' federal payroll taxes.

Criteria: Payroll tax withholding and fiduciary responsibility

Cause: Due to loss of revenue as well as lack of accounting professionals, the City Clerk did not make the required federal tax deposits.

Effect: Significant penalties are assessed by the Internal Revenue Service for failure to properly deposit payroll taxes.

Recommendation: The City needs to promptly pay the taxes or contact the Internal Revenue Service to work out a payment plan.

Auditee response: The City has already implemented procedures to pay payroll taxes timely and has been in contact with the Internal Revenue Service concerning amounts owed.

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.



Certified Public Accountants

Glasgow, Kentucky

March 23, 2023