

CITY OF BARBOURVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2019

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-11
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	12-13
Statement of Activities	14
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17-18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Fund	20
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Position – Fiduciary Fund	23
NOTES TO FINANCIAL STATEMENTS	24-48
SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	49-50
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tourism and Recreation Fund	51
Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53
Schedule of City's Proportionate Share of Net Pension Liability	54
Schedule of City Pension Contributions	55
Schedule of City's Proportionate Share of Net OPEB Liability	56
Schedule of City OPEB Contributions	57
Schedule of Component Unit's Proportionate Share of Net Pension Liability	58
Schedule of Component Unit Pension Contributions	59
Schedule of Component Unit's Proportionate Share of Net OPEB Liability	60
Schedule of Component Unit OPEB Contributions	61
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	62-63



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Mayor and the City Council
City of Barbourville
Barbourville, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Barbourville, Kentucky, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 49 through 51 be presented to supplement the basic financial statements in addition to the pension and OPEB schedules on pages 54 through 61. 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 inquires 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 Barbourville, Kentucky's basic financial statements. The combining nonmajor fund financial statements on pages 52 and 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 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 nonmajor 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 February 6, 2020 on our consideration of the City of Barbourville, Kentucky's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Barbourville, Kentucky's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 6, 2020

**CITY OF BARBOURVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Within this section of the City of Barbourville, Kentucky (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

The financial statements included in this report provide insight into the financial status of the City as of and for the year ended June 30, 2019.

Financial Highlights (dollars are in thousands)

- Total net position is comprised of the following:
 - 1) Net investment in capital assets of \$2,417 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) There are no net assets restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - 3) Unrestricted net assets of -\$998 represent the deficits of the City as of June 30, 2019.
- During the year ended June 30, 2019 the City received \$3,830 in total revenues, an increase of \$418 (12.3%) from fiscal year 2018.
- Total expenditures increased during fiscal year 2019 by \$198 (5.2%) to \$4,009.
- The City's governmental activities reported ending net position of \$977 this year. This represents an increase of \$187 from fiscal year 2018.
- At the end of fiscal year 2019, the fund balances from the General Fund increased \$105 (12.2%) over the year ended June 30, 2018 to \$969. The fund balance of the General Fund was 26.8% of total General Fund expenditures including transfers and 26.0% of total General Fund revenues including transfers, proceeds from long-term debt, proceeds from sale of assets, and payments from component units.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. 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 second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. 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.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and tourist and recreation. The business-type activity consists of Barbourville Recreation Park, and the component unit consists of utility services. Fiduciary activities such as the school tax agency fund are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of the legally separate organizations operate like City departments, serve as financing vehicles for City Services, or are governed by a board of trustees of the City's Mayor and Council or appointed by the City's Mayor or Council. These organizations are blended into the primary government for financial reporting purposes. Examples of blended organizations reported as City funds include the Barbourville Tourist and Recreation Commission and the Barbourville Recreation Park, Inc. Others operate more independently or provide services directly to the citizens though the City remains accountable for their activities. The Barbourville Utility Commission is reported separately from the primary government, though included in the City's overall reporting entity as a discretely presented component unit.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three types of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinct view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The Recreational Park Fund is reported as an enterprise fund. Enterprise funds essentially encompass the same functions reported as a business-type activity in the government-wide statements. Services are provided to customers external to the City organization.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) 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 and individual component units.

Fiduciary funds such as the school agency fund are reported in the fiduciary fund financial statements but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to Financial Statements

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to financial statements begin immediately following the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Budgetary comparison statements for the general fund and the major special revenue fund are included as required supplementary information in addition to the required pension schedules. The budgetary comparison statements demonstrate compliance with the City's adopted and final revised budget. Other supplementary information includes the combining balance sheet and the combining statement of revenues, expenditures, and changes in fund balances for the non-major governmental funds. Supplementary information follows the notes to financial statements.

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at June 30, 2019 and 2018:

	Summary of Net Position (dollars are in thousands)					
	Governmental Activities		Business-type Activity		Totals	
	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/18</u>
Current and other assets	\$ 2,435	\$ 2,038	\$ 70	\$ 72	\$ 2,505	\$ 2,110
Capital assets	2,268	2,071	372	400	2,640	2,471
Total assets	<u>\$ 4,703</u>	<u>\$ 4,109</u>	<u>\$ 442</u>	<u>\$ 472</u>	<u>\$ 5,145</u>	<u>\$ 4,581</u>
Deferred outflows of resources	<u>\$ 1,056</u>	<u>\$ 1,311</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,056</u>	<u>\$ 1,311</u>
Long-term liabilities	\$ 3,530	\$ 3,635	\$ --	\$ --	\$ 3,530	\$ 3,635
Other liabilities	630	505	--	33	630	538
Total liabilities	<u>\$ 4,160</u>	<u>\$ 4,140</u>	<u>\$ --</u>	<u>\$ 33</u>	<u>\$ 4,160</u>	<u>\$ 4,173</u>
Deferred inflows of resources	<u>\$ 622</u>	<u>\$ 490</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 622</u>	<u>\$ 490</u>
Net position:						
Net investment in capital assets	\$ 2,017	\$ 1,972	\$ 400	\$ 400	\$ 2,417	\$ 2,371
Unrestricted	(1,040)	(1,182)	42	39	(998)	(1,143)
Total net position	<u>\$ 977</u>	<u>\$ 790</u>	<u>\$ 442</u>	<u>\$ 439</u>	<u>\$ 1,419</u>	<u>\$ 1,229</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following table provides a summary of the City's changes in net position for the years ended June 30, 2019 and 2018:

Summary of Changes in Net Position (dollars are in thousands)

	Governmental Activities		Business-type Activity		Totals	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Revenues:						
Program revenues:						
Charges for services	\$ 405	\$ 401	\$ 92	\$ 145	\$ 497	\$ 546
Grants and contributions	186	169	--	--	186	169
General revenues:						
Occupational taxes	711	715	--	--	711	715
Insurance premium taxes	466	464	--	--	466	464
Property taxes	469	498	--	--	469	498
Restaurant and motel taxes	545	520	--	--	545	520
Franchise taxes	143	150	--	--	143	150
Utility taxes	15	24	--	--	15	24
Other taxes	44	45	--	--	44	45
Other revenues	749	272	5	9	754	281
Total revenues	<u>\$3,733</u>	<u>\$3,258</u>	<u>\$ 97</u>	<u>\$ 154</u>	<u>\$3,830</u>	<u>\$3,412</u>
Expenses:						
Governmental activities:						
General government	\$ 1,298	\$ 961	\$ --	\$ --	\$ 1,298	\$ 961
Public safety:						
Police department	1,255	1,229	--	--	1,255	1,229
Fire department	171	185	--	--	171	185
Public services	784	811	--	--	784	811
Tourist and recreation	287	294	--	--	287	294
Interest on long-term debt	7	4	--	--	7	4
Recreational park	--	--	207	327	207	327
Total expenses	<u>\$3,802</u>	<u>\$3,484</u>	<u>\$ 207</u>	<u>\$ 327</u>	<u>\$4,009</u>	<u>\$3,811</u>
Change in net position before transfers	<u>\$ (69)</u>	<u>\$ (226)</u>	<u>\$ (110)</u>	<u>\$ (173)</u>	<u>\$ (179)</u>	<u>\$ (399)</u>
Transfers	<u>256</u>	<u>185</u>	<u>113</u>	<u>111</u>	<u>369</u>	<u>296</u>
Change in net position	<u>\$ 187</u>	<u>\$ (41)</u>	<u>\$ 3</u>	<u>\$ (62)</u>	<u>\$ 190</u>	<u>\$ (103)</u>
Net position, beginning of year, as previously stated	\$ 790	\$ 1,418	\$ 439	\$ 501	\$ 1,229	\$ 1,919
Cumulative effect of adoption of new accounting principle	--	(587)	--	--	--	(587)
Net position, beginning of year, as restated	<u>790</u>	<u>831</u>	<u>439</u>	<u>501</u>	<u>1,229</u>	<u>1,332</u>
Ending net assets	<u>\$ 977</u>	<u>\$ 790</u>	<u>\$ 442</u>	<u>\$ 439</u>	<u>\$1,419</u>	<u>\$1,229</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$1,861,396, an increase of \$278,604 over the prior year.

Major Governmental Funds

The General Fund is the City's primary operating fund. The General Fund has an ending fund balance of \$969,067, an increase in the amount of \$104,690 over the prior year.

The Tourism and Recreation Fund has an ending fund balance of \$775,672, an increase in the amount of \$149,831 over the prior year.

Proprietary fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Recreational Park Fund accounts for the operating activities of the City's recreational park. The Recreational Park Fund received \$112,500 in transfers in 2019 from other funds to help support operations. This is an increase in transfers in from fiscal year 2018 of \$1,995. The Recreational Park Fund reported an increase in net position for 2019 in the amount of \$2,298.

General Fund Budgetary Highlights

The final General Fund budget expenditures for the fiscal year 2019 were \$3,459,345. There were amendments to the budget, Ordinance No. 2019-1, which was to reallocate revenue and expenses. As a result, in 2019 budgeted revenues decreased by a total of \$76,942, transfers from other funds decreased by \$6,000, appropriations for administrative expenses decreased by \$70,248, appropriations for the police department decreased by \$17,326, appropriations for fire decreased by \$2,950, appropriations for public services decreased by \$21,818, appropriations for tourist and recreation increased by \$1,015, appropriations for debt service increased by \$5,645, and appropriations increased for capital outlay by \$330,242.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Assets

The City's investment in capital assets and accumulated depreciation, for governmental and business-type activities as of June 30, 2019 was \$2,267,596 and \$372,373, respectively. Major capital asset additions for the fiscal year for governmental activities included approximately \$258,000 for general government equipment, \$1,000 for police equipment, \$7,000 for fire equipment, \$18,000 for tourism and recreation equipment, \$19,000 for general government vehicles, \$124,000 for police vehicles, and \$59,000 for general government infrastructure. Major capital asset additions for the 2019 fiscal year for business-type activities include approximately \$5,000 for recreational park equipment.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

**Capital Assets
Net of Accumulated Depreciation
(dollars are in thousands)**

	Governmental Activities		Business-type Activity		Totals	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Non-Depreciable Assets:						
Land	\$ 325	\$ 325	\$ 126	\$ 126	\$ 451	\$ 451
Depreciable Assets:						
Buildings	644	674	45	50	689	724
Improvements Other than Land	575	573	44	51	619	624
Equipment and Vehicles	724	499	157	173	881	672
Total	<u>\$2,268</u>	<u>\$2,071</u>	<u>\$ 372</u>	<u>\$ 400</u>	<u>\$2,640</u>	<u>\$2,471</u>

Long-Term Debt

At the end of the fiscal year, the City had total long-term debt obligations of \$218,142, an increase of \$117,896 from the previous year.

Economic Environment

Although the Department of Local Government had informed governments that the coal severance taxes would be reduced for the June 30, 2019 budget year and the City budgeted \$10,000, that amount was amended to \$25,000 and in August 2019 the City received an additional \$12,340 for the June 30, 2019 fiscal year.

The Police Department has applied for and been approved for a Highway Safety Grant in the amount of \$15,700 for the June 30, 2020 fiscal year.

The City has also applied and been approved for a USDA grant in the amount of \$43,100, with a match of \$14,486, for the purchase of two pickup trucks for the street department in the June 30, 2020 fiscal year. Also, at the end of June 30, 2019 fiscal year, the City has elected to enter into a lease agreement with Enterprise Fleet Management for the lease of three additional new trucks for the street department. An initial down payment of \$10,000 was made in June 2019. This is a five-year lease agreement.

The City is also in the process of seeking funding for the purchase of a new fire truck. The City has elected to apply for funding through KACO and the USDA. At the present time, the City has not been approved nor denied this funding.

The City expects to receive approximately \$61,559 in the form of municipal aid funds from the Department of Transportation for maintenance and repairs on city streets/sidewalks, and the purchase of equipment and labor.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

As in year's past, the occupational tax lawsuit with the City of Corbin is still ongoing in the court system. For the June 30, 2020 fiscal year, the City will continue to receive 25% of the occupational taxes collected from the Knox County Fiscal Court. The current agreement will expire December 31, 2019.

For the year ended June 30, 2019 \$138,337 was collected for alcohol regulatory and license fees. \$140,000 has been budgeted for the year ending June 30, 2020.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Administrator, City of Barbourville, 196 Daniel Boone Drive, Box 1300, Barbourville, KY 40906.

CITY OF BARBOURVILLE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	
ASSETS				
Current assets:				
Cash	\$ 1,680,358	\$ 69,884	\$ 1,750,242	\$ 736,891
Insurance premium taxes receivable	124,257	--	124,257	--
Property taxes receivable, net	31,956	--	31,956	--
Franchise taxes receivable	18,357	--	18,357	--
Restaurant and motel taxes receivable	45,827	--	45,827	--
Intergovernmental receivable	39,409	--	39,409	--
Accounts receivable	58,505	--	58,505	1,311,497
Inventory, parts not in service	--	--	--	469,788
Total current assets	<u>1,998,669</u>	<u>69,884</u>	<u>2,068,553</u>	<u>2,518,176</u>
Restricted assets:				
Customers' deposits	--	--	--	958,132
Total restricted assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>958,132</u>
Non-current assets:				
Investments	436,006	--	436,006	4,624,869
Capital assets				
Land, water rights, and construction in process	324,735	126,000	450,735	2,851,604
Other capital assets, net of depreciation	1,942,861	246,373	2,189,234	27,699,759
Total non-current assets	<u>2,703,602</u>	<u>372,373</u>	<u>3,075,975</u>	<u>35,176,232</u>
Total assets	<u>\$ 4,702,271</u>	<u>\$ 442,257</u>	<u>\$ 5,144,528</u>	<u>\$38,652,540</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	782,995	--	782,995	1,358,467
Deferred outflows related to OPEB	272,886	--	272,886	417,377
Total deferred outflows of resources	<u>\$ 1,055,881</u>	<u>\$ --</u>	<u>\$ 1,055,881</u>	<u>\$ 1,775,844</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
STATEMENT OF NET POSITION (Continued)
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	
LIABILITIES				
Current liabilities:				
Current maturities of long-term debt	\$ 56,043	\$ --	\$ 56,043	\$ 485,745
Accounts payable	48,273	232	48,505	1,165,346
Accrued salaries and payroll withholdings	58,649	353	59,002	344,286
Accrued interest payable	1,479	--	1,479	28,116
Accrued benefit obligation	464,878	--	464,878	--
Total current liabilities	<u>629,322</u>	<u>585</u>	<u>629,907</u>	<u>2,023,493</u>
Liabilities payable from restricted assets:				
Customers' deposits	--	--	--	958,132
Total liabilities payable from restricted assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>958,132</u>
Non-current liabilities:				
Long-term debt, less current maturities	162,099	--	162,099	8,730,660
Net pension liability	2,604,524	--	2,604,524	5,166,649
Net OPEB liability	763,205	--	763,205	1,506,140
Total non-current liabilities	<u>3,529,828</u>	<u>--</u>	<u>3,529,828</u>	<u>15,403,449</u>
Total liabilities	<u>\$ 4,159,150</u>	<u>\$ 585</u>	<u>\$ 4,159,735</u>	<u>\$ 18,385,074</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 408,548	\$ --	\$ 408,548	\$ 453,669
Deferred inflows related to OPEB	213,216	--	213,216	323,116
Total deferred inflows of resources	<u>\$ 621,764</u>	<u>\$ --</u>	<u>\$ 621,764</u>	<u>\$ 776,785</u>
NET POSITION				
Net investment in capital assets	2,017,127	400,016	2,417,143	22,810,062
Unrestricted (Deficit)	<u>(1,039,889)</u>	<u>41,656</u>	<u>(998,233)</u>	<u>(1,543,537)</u>
Total net position	<u>\$ 977,238</u>	<u>\$ 441,672</u>	<u>\$ 1,418,910</u>	<u>\$ 21,266,525</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,298,160	\$ 34,775	\$ 6,978	\$ --
Public safety:				
Police department	1,255,288	12,064	63,750	--
Fire department	171,215	--	18,741	--
Public services	784,046	358,248	96,797	--
Tourist and recreation	286,986	--	--	--
Interest on long-term debt	7,130	--	--	--
Total governmental activities	<u>3,802,825</u>	<u>405,087</u>	<u>186,266</u>	<u>--</u>
Business-type activity:				
Recreational park	206,999	92,059	--	--
Total business-type activity	<u>206,999</u>	<u>92,059</u>	<u>--</u>	<u>--</u>
Total primary government	<u>4,009,824</u>	<u>497,146</u>	<u>186,266</u>	<u>--</u>
Component unit:				
Barbourville Utility Commission	16,127,245	15,453,660	689,723	--
Total component unit	<u>\$ 16,127,245</u>	<u>\$ 15,453,660</u>	<u>\$ 689,723</u>	<u>--</u>
General revenues:				
Taxes:				
Occupational taxes				
Insurance premium taxes				
Property taxes				
Restaurant and motel taxes				
Franchise taxes				
Utility taxes				
Other taxes				
Gain on sale of assets				
Investment income				
Miscellaneous				
Payments from component unit (to) City				
Transfers				
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning of year		
		Net position, end of year		

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activity	Total	Component Unit
\$ (1,256,407)	\$ --	\$ (1,256,407)	\$ --
(1,179,474)	--	(1,179,474)	--
(152,474)	--	(152,474)	--
(329,001)	--	(329,001)	--
(286,986)	--	(286,986)	--
(7,130)	--	(7,130)	--
<u>(3,211,472)</u>	<u>--</u>	<u>(3,211,472)</u>	<u>--</u>
--	(114,940)	(114,940)	--
--	(114,940)	(114,940)	--
<u>(3,211,472)</u>	<u>(114,940)</u>	<u>(3,326,412)</u>	<u>--</u>
--	--	--	16,138
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 16,138</u>
711,323	--	711,323	--
465,597	--	465,597	--
469,360	--	469,360	--
544,888	--	544,888	--
143,481	--	143,481	--
15,201	--	15,201	--
44,070	--	44,070	--
38,775	--	38,775	--
9,294	--	9,294	126,809
700,750	4,738	705,488	258,989
368,577	--	368,577	(368,577)
(112,500)	112,500	--	--
<u>3,398,816</u>	<u>117,238</u>	<u>3,516,054</u>	<u>17,221</u>
<u>187,344</u>	<u>2,298</u>	<u>189,642</u>	<u>33,359</u>
<u>789,894</u>	<u>439,374</u>	<u>1,229,268</u>	<u>21,233,166</u>
<u>\$ 977,238</u>	<u>\$ 441,672</u>	<u>\$ 1,418,910</u>	<u>\$ 21,266,525</u>

CITY OF BARBOURVILLE, KENTUCKY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,066,106	\$ 532,301	\$ 81,951	\$ 1,680,358
Insurance premium taxes receivable	124,257	--	--	124,257
Property taxes receivable, net	31,956	--	--	31,956
Franchise taxes receivable	18,357	--	--	18,357
Restaurant and motel taxes receivable	45,827	--	--	45,827
Intergovernmental receivable	4,703	--	34,706	39,409
Accounts receivable	58,505	--	--	58,505
Due from other funds	--	94,431	--	94,431
Investments	285,000	151,006	--	436,006
Total assets	<u>\$ 1,634,711</u>	<u>\$ 777,738</u>	<u>\$ 116,657</u>	<u>\$ 2,529,106</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 46,207	\$ 2,066	\$ --	\$ 48,273
Accrued salaries and payroll withholdings	58,649	--	--	58,649
Due to other funds	94,431	--	--	94,431
Accrued interest	1,479	--	--	1,479
Accrued benefit obligation	464,878	--	--	464,878
Total liabilities	<u>665,644</u>	<u>2,066</u>	<u>--</u>	<u>667,710</u>
FUND BALANCES				
Restricted	--	--	25,800	25,800
Committed	--	775,672	90,857	866,529
Assigned	144,161	--	--	144,161
Unassigned	824,906	--	--	824,906
Total fund balances	<u>969,067</u>	<u>775,672</u>	<u>116,657</u>	<u>1,861,396</u>
Total liabilities and fund balances	<u>\$ 1,634,711</u>	<u>\$ 777,738</u>	<u>\$ 116,657</u>	<u>\$ 2,529,106</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2019

TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,861,396
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund financial statements.	6,757,263
Accumulated depreciation has not been included in the governmental fund financial statements.	(4,489,667)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund financial statements.	(218,142)
Liabilities such as net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. The City's net pension and OPEB liabilities are reported in the statement of net position.	(3,367,729)
Deferred outflows and inflows of resources related to pension and OPEB plans are related to future periods and, therefore, are not reported in governmental funds. The City's deferred outflows (\$1,055,881) and deferred inflows (\$621,764) are reported in the government-wide statement of net position.	<u>434,117</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 977,238</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	<u>General</u> <u>Fund</u>	<u>Tourism and</u> <u>Recreation</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Occupational taxes	\$ 711,323	\$ --	\$ --	\$ 711,323
Insurance premium taxes	465,597	--	--	465,597
Property taxes	469,360	--	--	469,360
Restaurant and motel taxes	--	544,888	--	544,888
Charges for services	358,248	--	--	358,248
Franchise taxes	143,481	--	--	143,481
Utility taxes	15,201	--	--	15,201
Other taxes	44,070	--	--	44,070
Licenses, fees, and permits	46,839	--	--	46,839
Intergovernmental revenue	89,468	--	234,686	324,154
Fines and forfeitures	--	--	36,121	36,121
Other revenues	512,981	13,760	--	526,741
Investment income	6,853	2,404	37	9,294
	<u>2,863,421</u>	<u>561,052</u>	<u>270,844</u>	<u>3,695,317</u>
Total revenues				
EXPENDITURES				
Current:				
General government	1,028,262	--	22,042	1,050,304
Public safety:				
Police department	1,152,946	--	--	1,152,946
Fire department	141,304	--	--	141,304
Public services	756,352	--	--	756,352
Tourist and recreation	10,015	251,808	--	261,823
Debt service:				
Principal payments	52,841	--	--	52,841
Interest on debt	7,130	--	--	7,130
Capital outlays	467,862	18,493	--	486,355
	<u>3,616,712</u>	<u>270,301</u>	<u>22,042</u>	<u>3,909,055</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (753,291)</u>	<u>\$ 290,751</u>	<u>\$ 248,802</u>	<u>\$ (213,738)</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 253,139	\$ --	\$ --	\$ 253,139
Transfers to other funds	--	(140,920)	(224,719)	(365,639)
Proceeds from long-term debt	170,737	--	--	170,737
Payments from component units	368,577	--	--	368,577
Proceeds from sale of assets	<u>65,528</u>	<u>--</u>	<u>--</u>	<u>65,528</u>
Net other financing sources (uses)	<u>857,981</u>	<u>(140,920)</u>	<u>(224,719)</u>	<u>492,342</u>
Net change in fund balances	104,690	149,831	24,083	278,604
Fund balances, July 1, 2018	<u>864,377</u>	<u>625,841</u>	<u>92,574</u>	<u>1,582,792</u>
Fund balances, June 30, 2019	<u>\$ 969,067</u>	<u>\$ 775,672</u>	<u>\$ 116,657</u>	<u>\$ 1,861,396</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 278,604

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 shown as an increase in capital assets.	486,355
Capital assets are depreciated over their estimated useful lives and reported as depreciation expense in the statement of net assets. The effect of the current year's depreciation is to decrease net assets.	(263,480)
In the statement of activities, the net effect of various transactions involving capital assets, (sale or disposal) is reported. The change in net assets differs from the change in fund balance by this difference.	(26,754)
Debt service principal payments are reported as a reduction in liabilities in the statement of net position, but are reported as expenditures in the fund financial statements because they use current financial resources.	52,841
Governmental funds report the City's pension plan contributions (\$153,952) and OPEB contributions (\$56,071) as expenditures. However, in the government-wide statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported as pension expense (\$283,137) and OPEB expense (\$96,371).	(169,485)
Proceeds from the issuance of long-term debt is reported as an increase in liabilities in the combined statement of net position, but is reported as income in the fund financial statements because they use current financial resources	<u>(170,737)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 187,344

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2019

	<u>Recreational Park Fund</u>
ASSETS	
Current assets:	
Cash	\$ 69,884
Total current assets	<u>69,884</u>
Non-current assets:	
Capital assets	
Land	126,000
Land development	524,849
Buildings	133,139
Equipment	661,614
Less accumulated depreciation	<u>(1,073,229)</u>
Total non-current assets	<u>372,373</u>
Total assets	<u><u>\$ 442,257</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 232
Wages and payroll taxes payable	<u>353</u>
Total current liabilities	<u>585</u>
Total liabilities	<u>585</u>
NET POSITION	
Net investment in capital assets	400,016
Unrestricted	<u>41,656</u>
Total net position	<u><u>\$ 441,672</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 Year Ended June 30, 2019**

	<u>Recreational Park Fund</u>
OPERATING REVENUES	
Charges for services:	
Water park gate receipts	\$ 33,409
Private party revenues	4,000
Putt putt revenues	71
Paddleboat revenues	9
RV pad rental income	51,570
Other rental income	3,000
	<hr/>
Total charges for services	92,059
Other revenues	4,738
	<hr/>
Total operating revenues	96,797
OPERATING EXPENSES	
Personal services	52,185
Repairs and maintenance	21,789
Utilities	44,010
Operations expense	55,508
Supplies	1,010
Depreciation	32,327
Other operating expenses	170
	<hr/>
Total operating expenses	206,999
	<hr/>
Operating (loss)	(110,202)
NON-OPERATING REVENUE	
Transfers from other funds	112,500
	<hr/>
Total non-operating revenue	112,500
	<hr/>
Change in net position	2,298
	<hr/>
Net position, beginning	439,374
	<hr/>
Net position, ending	\$ 441,672
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2019**

	<u>Recreational Park Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 92,059
Cash payments to suppliers for goods and services	(146,770)
Cash payments to employees for services	(59,845)
Other cash receipts	4,738
Net cash (used in) operating activities	<u>(109,818)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(4,683)
Net cash (used in) investing activities	<u>(4,683)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	112,500
Net cash provided by noncapital financing activities	<u>112,500</u>
Net (decrease) in cash	(2,001)
Cash at July 1, 2018	<u>71,885</u>
Cash at June 30, 2019	<u>\$ 69,884</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES	
Operating (loss)	<u>\$ (110,202)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation and amortization	32,327
Change in assets and liabilities net of the effects: of investing and financing activities:	
Accounts receivable	--
Accounts payable	(24,282)
Wages and payroll taxes payable	(7,661)
Total adjustments	<u>384</u>
Net cash (used in) operating activities	<u>\$ (109,818)</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2019

	Agency Fund
ASSETS	
Cash	\$ 11,264
Property taxes receivable	32,522
Total assets	\$ 43,786
 LIABILITIES	
Due to Board of Education	\$ 43,786
Total liabilities	\$ 43,786

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Barbourville, Kentucky (City) was incorporated under the provisions set forth by the Commonwealth of Kentucky. The City operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police and fire), street improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

Component units are reported in the City's Comprehensive Annual Financial Report (CAFR) as follows:

Blended Component Units Reported with the Primary Government:

Barbourville Tourist and Recreation Commission - The Commission was created in April 1994 to promote recreational, convention, and tourist activities in Barbourville and Knox County, Kentucky. The Commission's board is appointed by the Mayor of the City of Barbourville and the Barbourville City Council includes the Commission in its annual budget. The Commission is funded through a 3% restaurant and 3% motel tax which is collected by the Barbourville City Clerk and disbursed to the Commission in accordance with the Commission's annual budget.

Barbourville Recreational Park, Inc. - Accounts for all water park, ball park and RV park revenues and expenses in a separate enterprise fund.

Discretely Presented Component Unit:

The Barbourville Utility Commission – The Utility Commission was organized to administer and operate the utility system of the City of Barbourville. The Utility Commission is a wholly-owned agency of the City of Barbourville and commissioners are appointed by the City Council. The Utility Commission is self-supporting and renders services on a user-charge basis. Any excess funds available from the operations of the Utility Commission may be requested by the City for its general use. This transfer of funds does not result in a liability to the City. The Utility Commission issues separately audited financial statements and reports using the enterprise fund model. Copies of the component unit report may be obtained from the Utility Commission office at 202 Daniel Boone Drive, Barbourville, KY 40906.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Related Organization

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the related organization. The City has one related organization as follows:

Housing Authority of the City of Barbourville - The Authority was chartered as a public corporation under the laws of the Commonwealth of Kentucky. The purpose of the Authority is to administer a low rent housing program. The Authority's Board of Commissioners is appointed by the Mayor of the City of Barbourville. Any surpluses of the Authority are not recoverable by the City. All excess funds not needed for operations are returned to the U.S. Department of Housing and Urban Development (HUD) and the City is not responsible for any deficits of the Authority. The Authority reports independently.

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 excluding fiduciary activities. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. 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.

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, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; 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

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The fiduciary fund is custodial in nature and does not involve measurement of results of operations. Accordingly, the statement presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported 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). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City component unit 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.

Governmental fund financial statements are reported 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 long-term obligation principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: restaurant and motel taxes, property taxes, franchise taxes, insurance premium taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Types and Major Funds

The City reports the following major governmental funds:

General Fund – This fund reports as the primary fund of the City. It accounts for all financial resources not reported in other funds. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Tourism and Recreation Fund (Barbourville Tourist and Recreation Commission) – This fund accounts for the City's restaurant and motel tax receipts and expenditures related to promoting tourism and recreation in the City.

The City reports the following major proprietary fund:

Recreational Park Fund (Barbourville Recreational Park, Inc.) – Accounts for the operating activities of the City's recreational park.

The City also reports the following fiduciary fund:

Agency Fund – Agency funds account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The School Tax Fund is used to account for school tax receipts collected and held by the City on behalf of the Board of Education.

Accounts receivable

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Intergovernmental receivable

Intergovernmental receivables are comprised of amounts due from state grants. Revenue is recorded as earned when eligibility requirements are met.

Parts not in service

Parts not in service represents component unit inventories of expendable supplies which are stated at lower of cost or net realizable value on a first-in, first-out basis. They are reported at cost and are recorded as expenditures at the time individual inventory items are used.

Investments

Investments are carried at fair value which approximates cost. Investments representing customer deposits in the component unit are classified as restricted assets in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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. Proprietary and component unit capital assets are also reported in their respective fund and component unit financial statements. 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. Capital assets, including those of component units, 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.

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

Buildings	10 - 40
Land Improvements	15 - 20
Infrastructure	25
Equipment	5 - 20
Vehicles	5 - 15

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. All vacation pay must be used in the year it is earned. Unused sick leave is purchased by the City in December at the regular rate of pay. An employee who has completed probation and whose employment is terminated shall be paid for all accumulated vacation leave. As of June 30, 2019, the liability for accrued vacation leave included in the financial statements of the City was \$19,257.

The employees of the discretely presented component unit are entitled to vacation pay at similar terms except that vacation pay earned and not used can be carried over to subsequent years. An employee can request disbursement of unused vacation pay in lieu of time off. As of June 30, 2019, accrued vacation leave for the component unit was \$276,144.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Long-term obligations are recognized as an expenditure of a governmental fund only when payment is made or when payment is due in the current period. Issuance costs are reported as expenditures.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Equity

Beginning with fiscal year 2012, the City implemented 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 balance more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Property Taxes

Property taxes are levied annually on October 1st and are based on the assessed value of property as listed on the previous January 1st. Taxes are due November 30th with payments prior to October 31st discounted. Penalties are assessed in December and interest accrues beginning in January. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts. Over time, substantially all property taxes are collected. The City’s property taxes on motor vehicles are collected by the Knox County Clerk as vehicles are registered. These taxes are remitted to the City monthly.

Insurance Premium Fees

The City has an ordinance imposing a 9% license fee on insurance premium policies written within the corporate limits of the City.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Payment from Component Units

The Barbourville Utility Commission is a component unit of the City and any excess monies available may be requested by the City for its general use. The City received \$368,577 in transfers from the utility commission during the year ended June 30, 2019. This is comprised of \$368,577 in cash payments.

Budgetary Information

Formal budgetary accounting is employed as a management control for certain funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, the special revenue funds, and the proprietary fund. Once approved, the City council may amend the legally adopted budget when unexpected modifications are required in estimating revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and detail line items. The budgets are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable disbursement is expected to occur. Actual results are reported on the GAAP basis, and variances reflect reconciliation differences primarily due to revenue and expenditure accruals.

Excess of expenditures over appropriations

For the year ended June 30, 2019, actual expenditures and proceeds from debt issuance exceeded budgeted appropriations in the General Fund. These over expenditures were funded by transfers from other funds and the component unit as well as proceeds from asset disposals.

Use of estimates

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

Subsequent events

Management has evaluated subsequent events through February 6, 2020, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Investments and Fair Values

The City's cash and investments consist of \$1,750,242 in cash and \$436,006 in certificates of deposit at June 30, 2019. The discretely presented component unit's cash and investments consist of \$736,891 in cash and \$4,624,869 in certificates of deposit. The portion of certificates of deposit resulting from customer deposits is shown as restricted assets of the component unit. At June 30, 2019, the amount shown as restricted assets totaled \$958,132.

GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect a City's own assumptions of market participant valuation (Level 3).

Financial instruments that are subject to fair value measurements are limited to investments. Fair values of these financial instruments have been valued using a market approach and are measured using Level 2 inputs. The fair value of investments approximates its carrying amount.

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 or collateral securities that are in the possession of the financial institution. The entire bank balances were covered by federal depository insurance or by collateralized U.S. government agency and local government agency securities held by the City's agent in the City's name as of June 30, 2019.

Note 3. Property Taxes Receivable

Property taxes receivable as of June 30, 2019, consist of the following items:

Assessment Year	Property Taxes Due	Less Allowance	Net Property Taxes
2015	\$ 6,863	\$ 3,432	\$ 3,431
2016	8,239	4,120	4,119
2017	7,712	3,856	3,856
2018	13,049	6,526	6,523
2019	14,027	--	14,027
Totals	\$ 49,890	\$ 17,934	\$ 31,956

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Activity

Due To/From Other Funds

Balances representing due to/from other funds represent restaurant and motel taxes receivable and collections in the General Fund that have not yet been transferred to the Tourism and Recreation Fund. At June 30, 2019, the amount due to the Tourism and Recreation Fund from the General Fund amounted to \$94,431. Any residual balances outstanding between the governmental activities and business-type activities would be reported in the government-wide financial statement as internal balances.

Interfund Transfers

Interfund transfers are used to reallocate budgeted support or special revenues from the fund that collects them to the fund that is budgeted to expend them or to move unrestricted revenues collected within a fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the component unit is inconsistent with the activities of that unit.

Interfund transfers within these units for the year ended June 30, 2019, consisted of the following amounts:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
Governmental Funds		
General Fund	\$ 621,716	\$ --
Tourism & Recreation Fund	--	140,920
Nonmajor Funds	--	224,719
Proprietary Fund		
Recreation Park	112,500	--
Component Unit	--	368,577
Total Transfers	<u>\$ 734,216</u>	<u>\$ 734,216</u>

Note 5. Capital Assets

During the year ended June 30, 2010, the discretely presented Component Unit deeded and transferred certain capital assets to the City in relation to mineral rights. The net book value of these assets was \$63,655. The mineral rights were then leased by the City to ARWI Robert Stivers Wellness Center, Inc. with an initial lease term of 25 years and no payment due on the lease. The rights are to be used for the purpose of a wellness center and will revert back to the City should these purposes be avoided or the company dissolve. It is expected that the lease will be renewed at the end of the term.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS, DEPRECIATED			Totals
		Buildings	Infrastructure and Improvements Other Than Buildings	Equipment and Vehicles	
Primary Government:					
Governmental Activities:					
Balance, June 30, 2018	\$ 324,735	\$ 1,406,641	\$ 1,340,968	\$ 3,514,852	\$ 6,587,196
Increases	--	--	58,638	427,717	486,355
Decreases	--	--	--	(316,288)	(316,288)
Balance, June 30, 2019	\$ 324,735	\$ 1,406,641	\$ 1,399,606	\$ 3,626,281	\$ 6,757,263
Accumulated Depreciation:					
Balance, June 30, 2018	\$ --	\$ 733,021	\$ 768,263	\$ 3,014,437	\$ 4,515,721
Increases	--	29,461	56,026	177,993	263,480
Decreases	--	--	--	(289,534)	(289,534)
Balance, June 30, 2019	\$ --	\$ 762,482	\$ 824,289	\$ 2,902,896	\$ 4,489,667
Governmental Activities					
Capital Assets, Net	\$ 324,735	\$ 644,159	\$ 575,317	\$ 723,385	\$ 2,267,596
Business-type Activity:					
Balance, June 30, 2018	\$ 126,000	\$ 133,139	\$ 523,389	\$ 658,390	\$ 1,440,918
Increases	--	--	1,460	3,224	4,684
Decreases	--	--	--	--	--
Balance, June 30, 2019	\$ 126,000	\$ 133,139	\$ 524,849	\$ 661,614	\$ 1,445,602
Accumulated Depreciation:					
Balance, June 30, 2018	\$ --	\$ 82,989	\$ 472,765	\$ 485,148	\$ 1,040,902
Increases	--	5,308	7,590	19,429	32,327
Decreases	--	--	--	--	--
Balance, June 30, 2019	\$ --	\$ 88,297	\$ 480,355	\$ 504,577	\$ 1,073,229
Business-type Activity					
Capital Assets, Net	\$ 126,000	\$ 44,842	\$ 44,494	\$ 157,037	\$ 372,373
Primary Government					
Capital Assets, Net	\$ 450,735	\$ 689,001	\$ 619,811	\$ 880,422	\$ 2,639,969
Component Unit:					
Balance, June 30, 2018	\$ 2,851,604	\$ 25,078,236	\$ --	\$ 27,323,255	\$ 55,253,095
Increases	--	823,042	--	2,576,795	3,399,837
Decreases	--	(740,254)	--	--	(740,254)
Balance, June 30, 2019	\$ 2,851,604	\$ 25,161,024	\$ --	\$ 29,900,050	\$ 57,912,678
Accumulated Depreciation:					
Balance, June 30, 2018	\$ --	\$ 12,075,782	\$ --	\$ 13,199,521	\$ 25,275,303
Increases	--	731,012	--	1,355,000	2,086,012
Decreases	--	--	--	--	--
Balance, June 30, 2019	\$ --	\$ 12,806,794	\$ --	\$ 14,554,521	\$ 27,361,315
Component Unit					
Capital Assets, Net	\$ 2,851,604	\$ 12,354,230	\$ --	\$ 15,345,529	\$ 30,551,363

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General government	\$ 100,410
Public safety:	
Police department	80,301
Fire department	29,911
Public services	27,695
Tourist and recreation	25,163
Total governmental activities	263,480
Business-type Activity:	
Recreational park	32,327
Total business-type activity	32,327
Total depreciation expense	\$ 295,807

Note 6. Self-Insurance Program

The City records an estimated liability for a self-insurance program for hospitalization and medical coverage for its employees. The liability is based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience. At June 30, 2019, the liability for unpaid claims is \$464,878. The City limits its losses through the use of stop-loss policies from re-insurers. Specific individual losses for claims are limited to \$30,000 per individual with an aggregating specific of \$30,000 per year. Additionally, individual high cost claims may be segregated from the group and subjected to a \$125,000 specific stop loss.

Changes in the balances of claims liabilities during the year ended June 30, 2019 is as follows:

Year Ending	Beginning Balance	Claims and changes in estimates	Claim Payments	Ending Balance
2019	\$ 345,708	\$ 562,047	\$ 442,877	\$ 464,878

The component unit has a similar self-insurance program for its employees. Under this plan, specific individual losses for claims are limited to \$35,000 a year. The claim payments related to the self-insurance program were \$323,117 for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The City has a note payable to Commercial Bank, originating August 5, 2016 in the amount of \$150,250 for the purpose of purchasing police cruisers. The note is secured by the police cruisers, with an interest rate of 3.50%, payable in 3 annual installments of \$50,000. The balance due as of June 30, 2019 was \$50,246.

The City has a note payable to Forcht Bank, originating November 5, 2018 in the amount of \$171,199 for the purpose of purchasing a street sweeper vehicle. The note is secured by the street sweeper vehicle, with an interest rate of 3.99%, payable in 59 monthly installments of \$1,042 and a final balloon payment in November 2023 for \$141,420. The balance due as of June 30, 2019 was \$167,896.

On November 5, 2009, the component unit made an agreement with the Department of the Army, Corps of Engineers for the use of water storage space in the Laurel Lake Reservoir. In consideration of this right, the Commission signed a note in the amount of \$1,291,299, with an interest rate of 4.625% adjusted at five-year intervals throughout the (30) thirty year repayment period, beginning December 2009. The interest rate at June 30, 2019 was 3.50%. Principal and interest payments are payable annually on December 1. The balance due as of June 30, 2019 was \$981,644.

On December 20, 2011, the component unit made an agreement with the Department of the Army, Corps of Engineers for the use of water storage space in the Laurel Lake Reservoir. In consideration of this right, the Commission signed a note in the amount of \$612,310, with an interest rate of 4.125% adjusted at five-year intervals throughout the (30) thirty year repayment period, beginning March 2012. The interest rate at June 30, 2019 was 2.50%. Principal and interest payments are payable annually on March 1. The balance due as of June 30, 2019 was \$488,920.

On February 1, 2012, the component unit made an agreement with the Kentucky Infrastructure Authority to borrow up to \$4,000,000 to upgrade the raw water intake system at an interest rate of 1%. Interest payments are due beginning six months after the first construction draw with principal due once the project is complete. In addition, 40% of each draw is forgiven at the time of request. The project was completed during the year ended June 30, 2015, and the component unit began making principal and interest payments during the year ended June 30, 2016. The balance due as of June 30, 2019 was \$1,957,521.

On November 2, 2012, the component unit made an agreement with the Kentucky Infrastructure Authority to borrow up to \$6,800,000 to expand the sewer system at an interest rate of 1%. Principal and interest payments are due on June 1 and December 1 each year and the note is scheduled to be paid in full June 2035. The maximum amount of \$1,200,000 was forgiven during the year ended June 30, 2014. The balance due as of June 30, 2019 was \$4,234,619.

On October 1, 2016, the component unit made an agreement was made with the Kentucky Infrastructure Authority to borrow up to \$1,856,109 to rehab the sewer collection lines at an interest rate of 0.75%. The maximum amount of \$185,611 was forgiven on the loan leaving a principal balance of \$1,670,498. Principal and interest payments are due on June 1 or December 1 each year and the note is scheduled to be paid in full December 2037. The balance due as of June 30, 2019 was \$1,553,701.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

Description	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019	Due Within One Year
Primary Government					
Governmental Activities					
Notes Payable	\$ 100,246	\$ 170,737	\$ 52,841	\$ 218,142	\$ 56,043
Component Unit					
Long-term debt	\$9,696,517	\$ - -	\$ 480,112	\$9,216,405	\$485,745

The annual debt service requirements to maturity for long-term debt are as follows:

Year Ending June 30	Governmental Activities		Component Unit	
	Principal	Interest	Principal	Interest
2020	\$ 56,043	\$ 8,486	\$ 485,745	\$ 119,112
2021	6,054	6,447	491,467	113,391
2022	6,304	6,197	497,278	107,580
2023	6,564	5,937	503,183	101,676
2024	143,177	2,410	509,181	95,677
2025-2029	--	--	2,639,326	384,955
2030-2034	--	--	2,804,761	219,529
2035-2039	--	--	1,140,357	69,739
2040-2044	--	--	145,107	6,300
Totals	\$ 218,142	\$ 29,477	\$9,216,405	\$ 1,217,959

Note 8. Operating Leases

The City entered into a 15 year lease agreement with Estil and Elizabeth Scalf to lease approximately 100 acres of land in Knox County for a landfill. This lease agreement has subsequently expired; however, the City's landfill committee has agreed to continue paying lease payments in the amount of \$100 per month. For the year ended June 30, 2019, lease payments for the landfill totaled \$1,200.

The City entered into a 20 year lease agreement with Union College effective September 16, 1976, for the purpose of developing and operating a county wide recreation park for the establishment of recreation facilities for the benefit and use of the citizens and youth of Knox County, Kentucky. Lease payments in the amount of \$1 were due annually. In November of 1995, the City exercised an option for an additional 10 year period under the same terms and conditions and prepaid the 10 year lease amount. The City has extended this lease, on an annual basis since the September 16, 2006 expiration. For the year ended June 30, 2019 the lease agreement was declared null and void by Union College due to required repairs not being completed. The recreation park was subsequently closed. Future plans for re-opening the park and water park in future years is still to be determined.

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Leases (Continued)

The City entered into a 10 year lease agreement with Evans Investment to lease land by the Cumberland River to be used for recreational purposes. The lease was effective March 15, 2007. Payments for the leased property are \$400 per year paid annually on the anniversary date of the lease agreement. This lease expired in March 2017 and was renewed under the same terms and conditions for another 10 year term to expire March 2027.

The City entered into a 10 year lease with Commercial Bank, formerly known as Union National Bank and Trust Company, for a parking lot to be used as a free parking lot. The lease was effective December 6, 2006. Payment terms for the lease were as follows: the City paid on behalf of the Bank, as they became due each year, during the term of the lease, all State, County, City and School property taxes assessed against the property. The lease included retaining six parking spots for bank employees. This lease agreement was terminated by the City in writing on April 11, 2014. Subsequently, the lease was renewed in July 2015, with new terms and conditions. The Bank is now responsible for all property taxes assessed and will still retain six parking spots for bank employees.

Note 9. County Employees' Retirement System

Plan Description: The City has elected to participate in the County Employees Retirement System (CERS), pursuant to Kentucky Revised Statute 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Historical trend information showing CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-696-8800.

Benefits Provided: Benefits fully vested on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit, or at least 10 years of service and 60 years old. Nonhazardous employees who begin participation on or after December 31, 2013 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The City's contribution rate for nonhazardous employees was 16.22%, 14.48%, and 13.95% for the years ended June 30, 2019, 2018, and 2017, respectively. Total nonhazardous contributions made by the City were \$90,772, \$82,866 and \$70,943 for the years ended June 30, 2019, 2018 and 2017, respectively.

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary to be allocated as follows: 8.00% will go to the member's account and 1.00% will go to the KRS's insurance fund. The City's contribution rate for hazardous employees was 24.86%, 22.20%, and 21.71% for the years ended June 30, 2019, 2018, and 2017, respectively. Total hazardous contributions made by the City were \$63,180, \$61,273 and \$74,207 for the years ended June 30, 2019, 2018 and 2017, respectively.

The employees of the component unit are also covered under CERS and are all nonhazardous employees. Total nonhazardous contributions made by the Component Unit were \$359,489, \$304,456 and \$292,965 for the years ended June 30, 2019, 2018 and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2019, the City and component unit reported a liability of \$2,604,524 and \$5,166,649, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and component unit's proportion of the net pension liability was based on a projection of the City and component unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.049547% for hazardous covered employees and 0.023089% for nonhazardous covered employees. At June 30, 2018, the component unit's proportion was 0.084834% for nonhazardous covered employees.

For the City, pension expense totaled \$283,137 for the year ended June 30, 2019. As of June 30, 2019, the City had deferred outflows and inflows of resources related to its pension plan from the following sources:

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 264,984	\$ --
Net differences between projected and actual earnings on investments	109,806	(140,183)
Difference between actual and expected experience	141,230	(20,585)
Changes in proportion and differences between City's contributions and proportionate share of contributions	113,023	(247,780)
City's contributions subsequent to the measurement date	153,952	--
	\$ 782,995	\$ (408,548)

The City's deferred outflows of resources totaling \$153,952 will be recognized as a reduction of the net pension liability during the year ending June 30, 2020. Amounts reported as deferred outflows and inflows of resources as of June 30, 2019 will be recognized into pension expense as follows:

Year Ending June 30:	
2020	\$ 177,402
2021	92,363
2022	(36,312)
2023	(12,958)
	\$ 220,495

For the component unit, pension expense totaled \$843,942 for the year ended June 30, 2019. As of June 30, 2019, the component unit had deferred outflows and inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 504,932	\$ --
Net differences between projected and actual earnings on investments	240,253	(302,204)
Difference between actual and expected experience	168,522	(75,629)
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	85,271	(75,836)
Commission contributions subsequent to the measurement date	359,489	--
	\$ 1,358,467	\$ (453,669)

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

The component unit's deferred outflows of resources totaling \$359,489 will be recognized as a reduction of the net pension liability during the year ending June 30, 2020. Amounts reported as deferred outflows and inflows of resources as of June 30, 2019 will be recognized into pension expense as follows:

Year Ending June 30:	
2020	\$ 442,706
2021	204,493
2022	(74,160)
2023	(27,730)
	<u>\$ 545,309</u>

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to years included in the measurement:

Inflation:	2.30%
Salary increases:	3.05%
Investment rate of return:	6.25%

The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled forward from the valuation date (June 30, 2017) to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles.

The Mortality Table used for active members is RP-200 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 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

Asset Class	Target Allocation	Expected Real Rate of Return
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease - 5.25%	Current Discount Rate - 6.25%	1% Increase - 7.25%
Net Pension Liability - Nonhazardous	\$ 1,770,325	\$ 1,406,251	\$ 1,101,222
Net Pension Liability - Hazardous	1,501,357	1,198,273	947,717
Total Net Pension Liability	\$ 3,271,682	\$ 2,604,524	\$ 2,048,939

NOTES TO FINANCIAL STATEMENTS

Note 9. County Employees' Retirement System (Continued)

Sensitivity of the component unit's proportionate share of the net pension liability to changes in the discount rate: The following presents the component unit's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the component unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease - 5.25%	Current Discount Rate - 6.25%	1% Increase - 7.25%
Net Pension Liability - Nonhazardous	\$ 6,504,276	\$ 5,166,649	\$ 4,045,952

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

Note 10. Other Postemployment Benefits

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The City and the Component Unit participates in both the nonhazardous and hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. 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.

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

Portion Paid by Insurance Fund	
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%
< 4 Years	0.00%

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

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. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. There was no legislation enacted during the 2018 legislative session that had a material change in benefit provisions for either system.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The City and Component Unit's contribution rate to the KRS Insurance Fund for nonhazardous employees was 5.26%, 4.70%, and 4.73% for the years ended June 30, 2019, 2018 and 2017, respectively.

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary. The City's OPEB contribution rate for hazardous employees was 10.48%, 9.35%, and 9.35% for the years ended June 30, 2019, 2018, and 2017, respectively. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation.

Contributions to the KRS Insurance Fund from the City were \$56,071 and \$52,704 for the years ended June 30, 2019 and 2018, respectively. Contributions to the KRS Insurance Fund from the Component Unit were \$116,579 and \$98,822 for the years ended June 30, 2019 and 2018, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2019, the City and Component Unit reported a liability of \$763,205 and \$1,506,140, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The City and Component Unit's proportion of the net OPEB liability was based on the City and Component Unit's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2018, the City and Component Unit's proportion was 0.023089% and 0.084834%, respectively, for nonhazardous covered employees. For hazardous covered employees the City's proportion was 0.049547% and the Component Unit did not have any hazardous covered employees.

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

For the year ended June 30, 2019, the City and Component Unit recognized OPEB expense of \$128,777 and \$187,525, respectively. At June 30, 2019, the City and Component Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 190,278	\$ (1,913)
Net differences between projected and actual earnings on investments	--	(61,821)
Difference between actual and expected experience	--	(87,251)
Changes in proportion and differences between City's contributions and proportionate share of contributions	26,537	(62,231)
City's contributions subsequent to the measurement date	56,071	--
	\$ 272,886	\$ (213,216)

Component Unit

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 300,798	\$ (3,480)
Net differences between projected and actual earnings on investments	--	(103,743)
Difference between actual and expected experience	--	(175,521)
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	--	(40,372)
Commission's contributions subsequent to the measurement date	116,579	--
	\$ 417,377	\$ (323,116)

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

The City and Component Unit's deferred outflows of resources of \$56,071 and \$116,579, respectively, related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources as of June 30, 2019 will be recognized into OPEB expense (income) as follows:

City

Year Ending June 30:

2020	\$	10,174
2021		10,174
2022		(9,321)
2023		(7,478)
2024		1,247
2025		(1,197)
	\$	3,599

Component Unit

Year Ending June 30:

2020	\$	(2,404)
2021		(2,404)
2022		(2,404)
2023		17,744
2024		(20,834)
2025		(12,016)
	\$	(22,318)

Actuarial assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	27 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	4.00%
Inflation	3.25%
Salary Increase	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

The mortality table used for active members in 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.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability was 5.85% for nonhazardous and 5.97% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 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 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Sensitivity of the City and Component Unit's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the City and Component Unit's proportionate share of the net OPEB liability calculated using the discount rate of 5.85% for nonhazardous and 5.97% for hazardous, as well as what the City and Component Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85% for nonhazardous and 4.97% for hazardous) or 1-percentage-point higher (6.85% for nonhazardous and 6.97% for hazardous) than the current rate:

City

	1% Decrease - 4.85% Nonhazardous, 4.97% Hazardous	Current Discount Rate - 5.85% Nonhazardous, 5.97% Hazardous	1% Increase - 6.85% Nonhazardous, 6.97% Hazardous
Net OPEB Liability - Nonhazardous	\$ 532,447	\$ 409,941	\$ 305,587
Net OPEB Liability - Hazardous	491,055	353,264	242,959
Total Net OPEB Liability	<u>\$ 1,023,502</u>	<u>\$ 763,205</u>	<u>\$ 548,546</u>

Component Unit

	1% Decrease - 4.85% Nonhazardous	Current Discount Rate - 5.85% Nonhazardous	1% Increase - 6.85% Nonhazardous
Net OPEB Liability - Nonhazardous	\$ 1,956,234	\$ 1,506,140	\$ 1,122,742

Sensitivity of the City and Component Unit's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the City and Component Unit's proportionate share of the net OPEB liability, as well as what the City and Component Unit's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

City

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	\$ 305,205	\$ 409,941	\$ 533,394
Net OPEB Liability - Hazardous	240,590	353,264	492,816
Total Net OPEB Liability	<u>\$ 545,795</u>	<u>\$ 763,205</u>	<u>\$ 1,026,210</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Component Unit

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	\$ 1,121,336	\$ 1,506,140	\$ 1,959,713

Changes of assumptions: The KRS Board of Trustees adopted updated actuarial assumptions which was used in performing the actuarial valuation as of June 30, 2018. Specifically, total OPEB liability as of June 30, 2018 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Note 11. Asset Forfeitures

During 2019, the City maintained an asset forfeiture account as a result of investigations or prosecutions that resulted in forfeited drug money and property. These funds are legally restricted for law enforcement activities, including training, equipment and operations, facilities and equipment, drug education and awareness. These funds are not available for excess fee purposes. As of June 30, 2019, the total cash balance, reserved for these purposes was \$79,584. Collections and expenditures for the year ended June 30, 2019 were \$36,121 and \$22,042, respectively.

Note 12. Fund Balances – Governmental Funds

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Tourism and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Street maintenance	\$ --	\$ --	\$ 25,800	\$ 25,800
Committed to:				
Law enforcement	--	--	90,857	90,857
Tourism and recreation	--	775,672	--	775,672
Assigned to:				
Fire service	144,161	--	--	144,161
Unassigned:	824,906	--	--	824,906
Total fund balances	\$ 969,067	\$ 775,672	\$ 116,657	\$ 1,861,396

When an expenditure is incurred for purposes for which both assigned and unassigned fund balance is available, the City considers assigned funds to have been spent first.

SUPPLEMENTARY INFORMATION

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Over (Under)
REVENUES				
Occupational taxes	\$ 700,000	\$ 700,000	\$ 711,323	\$ 11,323
Insurance premium taxes	500,000	450,000	465,597	15,597
Property taxes	495,600	480,763	469,360	(11,403)
Charges for services	379,600	372,850	358,248	(14,602)
Franchise taxes	140,000	140,000	143,481	3,481
Utility taxes	20,000	14,500	15,201	701
Other taxes	44,500	44,500	44,070	(430)
Licenses, fees, and permits	4,000	4,700	46,839	42,139
Intergovernmental revenue	60,913	69,978	89,468	19,490
Other revenues	554,340	543,720	512,981	(30,739)
Investment income	4,000	5,000	6,852	1,852
Total revenues	2,902,953	2,826,011	2,863,420	37,409
EXPENDITURES				
Current:				
General government	1,141,439	1,071,191	1,028,261	(42,930)
Public safety:				
Police department	1,108,409	1,091,083	1,152,946	61,863
Fire department	138,322	135,372	141,304	5,932
Public services	762,283	740,465	756,352	15,887
Tourist and recreation	9,000	10,015	10,015	- -
Debt service	55,332	60,977	59,971	(1,006)
Capital outlays	20,000	350,242	467,862	117,620
Total expenditures	3,234,785	3,459,345	3,616,711	157,366
(Deficiency) of revenues (under) expenditures	\$ (331,832)	\$ (633,334)	\$ (753,291)	\$ (119,957)

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 36,500	\$ 30,500	\$ 253,139	\$ 222,639
Payments from component units	295,332	368,577	368,577	--
Proceeds from long-term debt	--	170,257	170,737	480
Proceeds from sale of assets	--	64,000	65,528	1,528
Net other financing sources	<u>331,832</u>	<u>633,334</u>	<u>857,981</u>	<u>224,647</u>
Net change in fund balances	--	--	104,690	104,690
Fund balance, July 1, 2018	<u>864,377</u>	<u>864,377</u>	<u>864,377</u>	--
Fund balance, June 30, 2019	<u><u>\$ 864,377</u></u>	<u><u>\$ 864,377</u></u>	<u><u>\$ 969,067</u></u>	<u><u>\$ 104,690</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TOURISM AND RECREATION FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Restaurant tax	\$ 485,033	\$ 485,033	\$ 521,201	\$ 36,168
Motel tax	23,000	23,000	23,687	687
Intergovernmental revenue	--	--	--	--
Other revenues	15,850	15,850	13,760	(2,090)
Investment income	--	--	2,404	2,404
Total revenues	523,883	523,883	561,052	37,169
EXPENDITURES				
Current:				
Tourist and recreation	399,643	399,643	251,808	(147,835)
Capital outlays	8,500	8,500	18,493	9,993
Total expenditures	408,143	408,143	270,301	(137,842)
Excess of revenues over expenditures	115,740	115,740	290,751	175,011
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(115,740)	(115,740)	(140,920)	(25,180)
Net other financing (uses)	(115,740)	(115,740)	(140,920)	(25,180)
Net change in fund balances	--	--	149,831	149,831
Fund balance, July 1, 2018	625,841	625,841	625,841	--
Fund balance, June 30, 2019	\$ 625,841	\$ 625,841	\$ 775,672	\$ 149,831

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	<u>Asset Forfeiture Fund</u>	<u>Municipal Aid Road Fund</u>	<u>Coal Severance Tax Fund</u>	<u>Alcohol Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash	\$ 79,584	\$ 1,811	\$ 556	\$ --	\$ 81,951
Accounts receivable, intergovernmental	--	7,417	16,016	11,273	34,706
Total assets	<u>\$ 79,584</u>	<u>\$ 9,228</u>	<u>\$ 16,572</u>	<u>\$ 11,273</u>	<u>\$ 116,657</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Total liabilities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
 FUND BALANCES					
Restricted	--	9,228	16,572	--	25,800
Committed	79,584	--	--	11,273	90,857
Total fund balances	<u>79,584</u>	<u>9,228</u>	<u>16,572</u>	<u>11,273</u>	<u>116,657</u>
Total liabilities and fund balances	<u>\$ 79,584</u>	<u>\$ 9,228</u>	<u>\$ 16,572</u>	<u>\$ 11,273</u>	<u>\$ 116,657</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	Asset Forfeiture Fund	Municipal Aid Road Fund	Coal Severance Tax Fund	Alcohol Fund	Total Nonmajor Governmental Funds
REVENUES					
Intergovernmental revenue	\$ --	\$ 62,662	\$ 34,135	\$ 137,889	\$ 234,686
Investment income	--	30	7	--	37
Fines and forfeitures	36,121	--	--	--	36,121
Total revenues	36,121	62,692	34,142	137,889	270,844
EXPENDITURES					
Current:					
General government	22,042	--	--	--	22,042
Total expenditures	22,042	--	--	--	22,042
Excess (deficiency) of revenues over (under) expenditures	14,079	62,692	34,142	137,889	248,802
OTHER FINANCING (USES)					
Transfers to other funds	--	(61,382)	(25,000)	(138,337)	(224,719)
Net other financing (uses)	--	(61,382)	(25,000)	(138,337)	(224,719)
Net change in fund balances	14,079	1,310	9,142	(448)	24,083
Fund balances, July 1, 2018	65,505	7,918	7,430	11,721	92,574
Fund balances, June 30, 2019	\$ 79,584	\$ 9,228	\$ 16,572	\$ 11,273	\$ 116,657

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

	June 30,				
	2018	2017	2016	2015	2014
NONHAZARDOUS					
City's proportion of net pension liability	0.023089%	0.021092%	0.018660%	0.018790%	0.017800%
City's proportionate share of the net pension liability	\$ 1,406,251	\$ 1,234,580	\$ 918,761	\$ 807,729	\$ 577,000
City's covered-employee payroll	\$ 572,274	\$ 508,555	\$ 445,144	\$ 464,700	\$ 408,224
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	245.73%	242.76%	206.40%	173.82%	141.34%
Plan Fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
HAZARDOUS					
City's proportion of net pension liability	0.049547%	0.062876%	0.068646%	0.090920%	0.103680%
City's proportionate share of the net pension liability	\$ 1,198,273	\$ 1,406,711	\$ 1,177,929	\$ 1,395,644	\$ 1,246,000
City's covered-employee payroll	\$ 276,001	\$ 341,809	\$ 356,885	\$ 461,345	\$ 451,323
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	434.16%	411.55%	330.06%	302.52%	276.08%
Plan Fiduciary net position as a percentage of the total pension liability	49.26%	49.80%	53.95%	57.52%	63.50%

* June 30, 2018, 2017, 2016, 2015 and 2014 reflect the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS

	June 30,					
	2019	2018	2017	2016	2015	2014
NONHAZARDOUS						
Contractually required contribution	\$ 90,772	\$ 82,866	\$ 70,943	\$ 55,287	\$ 59,249	\$ 56,090
Contributions in relation to the contractually required contribution	(90,772)	(82,866)	(70,943)	(55,287)	(59,249)	(56,090)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered employee-payroll	\$ 559,630	\$ 572,274	\$ 508,555	\$ 445,144	\$ 464,700	\$ 408,224
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
HAZARDOUS						
Contractually required contribution	\$ 63,180	\$ 61,273	\$ 74,207	\$ 72,305	\$ 95,637	\$ 98,253
Contributions in relation to the contractually required contribution	(63,180)	(61,273)	(74,207)	(72,305)	(95,637)	(98,253)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered employee-payroll	\$ 254,141	\$ 276,001	\$ 341,809	\$ 356,885	\$ 461,345	\$ 451,323
Contributions as a percentage of covered-employee payroll	24.86%	22.20%	21.71%	20.26%	20.73%	21.77%

* June 30, 2019, 2018, 2017, 2016, 2015 and 2014 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY

	June 30, 2018	June 30, 2017
NONHAZARDOUS		
City's proportion of net OPEB liability	0.023089%	0.021092%
City's proportionate share of the net OPEB liability	\$ 409,941	\$ 424,021
City's covered-employee payroll	\$ 572,274	\$ 508,555
City's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	71.63%	83.38%
Plan Fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%
HAZARDOUS		
City's proportion of net OPEB liability	0.049547%	0.062876%
City's proportionate share of the net OPEB liability	\$ 353,264	\$ 519,778
City's covered-employee payroll	\$ 276,001	\$ 341,809
City's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	127.99%	152.07%
Plan Fiduciary net position as a percentage of the total OPEB liability	64.24%	59.00%

* June 30, 2018 and 2017 reflects the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CITY OPEB CONTRIBUTIONS

	June 30,		
	2019	2018	2017
NONHAZARDOUS			
Contractually required contribution	\$ 29,437	\$ 26,898	\$ 24,055
Contributions in relation to the contractually required contribution	(29,437)	(26,898)	(24,055)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered employee-payroll	\$ 559,630	\$ 572,274	\$ 508,555
Contributions as a percentage of covered-employee payroll	5.26%	4.70%	4.73%
HAZARDOUS			
Contractually required contribution	\$ 26,634	\$ 25,806	\$ 31,959
Contributions in relation to the contractually required contribution	(26,634)	(25,806)	(31,959)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered employee-payroll	\$ 254,141	\$ 276,001	\$ 341,809
Contributions as a percentage of covered-employee payroll	10.48%	9.35%	9.35%

* June 30, 2019, 2018 and 2017 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF COMPONENT UNIT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY**

	June 30,				
	2018	2017	2016	2015	2014
NONHAZARDOUS					
Commission's proportion of net pension liability	0.084834%	0.087052%	0.082493%	0.082194%	0.084334%
Commission's proportionate share of the net pension liability	\$ 5,166,649	\$ 5,095,421	\$ 4,061,660	\$ 3,533,964	\$ 2,736,000
Commission's covered-employee payroll	\$ 2,102,594	\$ 2,100,107	\$ 1,972,346	\$ 1,920,397	\$ 1,934,753
Commission's proportionate share of the net pension liability as a percentage of its employee-covered payroll	245.73%	242.63%	205.93%	184.02%	141.41%
Plan Fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%

* June 30, 2018, 2017, 2016, 2015 and 2014 reflect the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPONENT UNIT PENSION CONTRIBUTIONS

	June 30,					
	2019	2018	2017	2016	2015	2014
NONHAZARDOUS						
Contractually required contribution	\$ 359,489	\$ 304,456	\$ 292,965	\$ 244,965	\$ 244,851	\$ 265,835
Contributions in relation to the contractually required contribution	(359,489)	(304,456)	(292,965)	(244,965)	(244,851)	(265,835)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Commission's covered employee-payroll	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107	\$ 1,972,346	\$ 1,920,397	\$ 1,934,753
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

* June 30, 2019, 2018, 2017, 2016, 2015 and 2014 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF COMPONENT UNIT'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY**

	June 30,	
	2018	2017
NONHAZARDOUS		
Commission's proportion of net OPEB liability	0.084834%	0.087052%
Commission's proportionate share of the net OPEB liability	\$ 1,506,140	\$ 1,750,043
Commission's covered-employee payroll	\$ 2,102,594	\$ 2,100,107
Commission's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	71.63%	83.33%
Plan Fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%

* June 30, 2018 and 2017 reflect the respective dates for the actuarial valuation.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF BARBOURVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF COMPONENT UNIT OPEB CONTRIBUTIONS

	June 30,		
	2019	2018	2017
NONHAZARDOUS			
Contractually required contribution	\$ 116,579	\$ 98,822	\$ 99,335
Contributions in relation to the contractually required contribution	(116,579)	(98,822)	(99,335)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Commission's covered employee-payroll	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107
Contributions as a percentage of covered-employee payroll	5.26%	4.70%	4.73%

* June 30, 2019, 2018 and 2017 reflect financial reporting dates.

The Notes to the Financial Statements are an integral part of this statement.



Jones, Nale & Mattingly PLC

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*

Mayor and the City Council
City of Barbourville
Barbourville, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barbourville, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Barbourville, Kentucky's basic financial statements and have issued our report thereon dated February 6, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Barbourville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

This report is intended solely for the information and use of management, the Mayor and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 6, 2020