

**CITY OF BARBOURVILLE, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2020**

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*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, 2020, 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, 2020, 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 51 through 53 be presented to supplement the basic financial statements in addition to the pension and OPEB schedules on pages 56 through 63. 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 54 and 55 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.

## **Prior Period Adjustment**

As described in Note 13 to the financial statements, as of July 1, 2019, the City has included an internal service fund to account for the City's cash and claims payable related to its self-insurance fund. As a result, a cumulative effect of net position of the internal service fund has been made as of July 1, 2019. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 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  
January 29, 2021

**CITY OF BARBOURVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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, 2020. 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, 2020.

**Financial Highlights (dollars are in thousands)**

- Total net position is comprised of the following:
  - 1) Net investment in capital assets of \$2,310 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 -\$764 represent the deficits of the City as of June 30, 2020.
- During the year ended June 30, 2020 the City received \$3,549 in total revenues, a decrease of \$281 (7.3%) from fiscal year 2019.
- Total expenditures decreased during fiscal year 2020 by \$808 (20.2%) to \$3,201.
- The City's governmental activities reported ending fund balance of \$2,260 this year. This represents an increase of \$399 from fiscal year 2019.
- At the end of fiscal year 2020, the fund balances from the General Fund increased \$309 (31.9%) over the year ended June 30, 2019 to \$1,278. The fund balance of the General Fund was 35.3% of total General Fund expenditures including transfers and 34.3% 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 four 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.

Internal service funds are used to account for the City's self-insurance fund.

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, 2020 and 2019:

	<b>Summary of Net Position</b> (dollars are in thousands)					
	Governmental Activities		Business-type Activity		Totals	
	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/20</u>	<u>6/30/19</u>
Current and other assets	\$ 2,373	\$ 2,435	\$ 128	\$ 70	\$ 2,501	\$ 2,505
Capital assets	2,547	2,268	389	372	2,936	2,640
Total assets	<u>\$ 4,920</u>	<u>\$ 4,703</u>	<u>\$ 517</u>	<u>\$ 442</u>	<u>\$ 5,437</u>	<u>\$ 5,145</u>
Deferred outflows of resources	<u>\$ 953</u>	<u>\$ 1,056</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 953</u>	<u>\$ 1,056</u>
Long-term liabilities	\$ 4,049	\$ 3,530	\$ --	\$ --	\$ 4,049	\$ 3,530
Other liabilities	186	630	4	--	190	630
Total liabilities	<u>\$ 4,235</u>	<u>\$ 4,160</u>	<u>\$ 4</u>	<u>\$ --</u>	<u>\$ 4,239</u>	<u>\$ 4,160</u>
Deferred inflows of resources	<u>\$ 605</u>	<u>\$ 622</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 605</u>	<u>\$ 622</u>
Net position:						
Net investment in capital assets	\$ 1,921	\$ 2,017	\$ 389	\$ 400	\$ 2,310	\$ 2,417
Unrestricted (deficit)	(888)	(1,040)	124	42	(764)	(998)
Total net position	<u>\$ 1,033</u>	<u>\$ 977</u>	<u>\$ 513</u>	<u>\$ 442</u>	<u>\$ 1,546</u>	<u>\$ 1,419</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, 2020 and 2019:

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

	Governmental Activities		Business-type Activity		Totals	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Revenues:						
Program revenues:						
Charges for services	\$ 404	\$ 405	\$ 67	\$ 92	\$ 471	\$ 497
Grants and contributions	267	186	--	--	267	186
General revenues:						
Occupational taxes	720	711	--	--	720	711
Insurance premium taxes	532	466	--	--	532	466
Property taxes	491	469	--	--	491	469
Restaurant and motel taxes	552	545	--	--	552	545
Franchise taxes	149	143	--	--	149	143
Utility taxes	19	15	--	--	19	15
Other taxes	41	44	--	--	41	44
Other revenues	290	749	17	5	307	754
Total revenues	<u>\$3,465</u>	<u>\$3,733</u>	<u>\$ 84</u>	<u>\$ 97</u>	<u>\$3,549</u>	<u>\$3,830</u>
Expenses:						
Governmental activities:						
General government	\$ 765	\$1,298	\$ --	\$ --	\$ 765	\$1,298
Public safety:						
Police department	1,107	1,255	--	--	1,107	1,255
Fire department	135	171	--	--	135	171
Public services	802	784	--	--	802	784
Tourist and recreation	224	287	--	--	224	287
Interest on long-term debt	28	7	--	--	28	7
Recreational park	--	--	140	207	140	207
Total expenses	<u>\$3,061</u>	<u>\$3,802</u>	<u>\$ 140</u>	<u>\$ 207</u>	<u>\$3,201</u>	<u>\$4,009</u>
Change in net position before transfers	<u>\$ 404</u>	<u>\$ (69)</u>	<u>\$ (56)</u>	<u>\$ (110)</u>	<u>\$ 348</u>	<u>\$ (179)</u>
Transfers	<u>(348)</u>	<u>256</u>	<u>127</u>	<u>113</u>	<u>(221)</u>	<u>369</u>
Change in net position	<u>\$ 56</u>	<u>\$ 187</u>	<u>\$ 71</u>	<u>\$ 3</u>	<u>\$ 127</u>	<u>\$ 190</u>
Net position, beginning of year, as previously stated	<u>\$ 977</u>	<u>\$ 790</u>	<u>\$ 442</u>	<u>\$ 439</u>	<u>\$1,419</u>	<u>\$1,229</u>
Ending net assets	<u><u>\$1,033</u></u>	<u><u>\$ 977</u></u>	<u><u>\$ 513</u></u>	<u><u>\$ 442</u></u>	<u><u>\$1,546</u></u>	<u><u>\$1,419</u></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 \$2,260,224, an increase of \$398,828 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 \$1,227,906, an increase in the amount of \$308,839 over the prior year.

The Tourism and Recreation Fund has an ending fund balance of \$941,746, an increase in the amount of \$166,074 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 \$126,990 in transfers in 2020 from other funds to help support operations. This is an increase in transfers in from fiscal year 2019 of \$14,490. The Recreational Park Fund reported an increase in net position for 2020 in the amount of \$71,015.

### General Fund Budgetary Highlights

The final General Fund budget expenditures for the fiscal year 2020 were \$3,481,408. There were amendments to the budget, Ordinance No. 2020-1, which was to reallocate revenue and expenses. As a result, in 2020 budgeted revenues increased by a total of \$662,577, appropriations for administrative expenses increased by \$465,723, appropriations for the police department increased by \$15,540, appropriations for fire increased by \$300, appropriations for public services increased by \$87,600, appropriations for debt service decreased by \$1,691, and appropriations increased for capital outlay by \$229,954.

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, 2020 was \$2,547,165 and \$388,862, respectively. Major capital asset additions for the fiscal year for governmental activities included approximately \$5,000 for general government assets, \$62,000 for police assets, \$323,000 for fire assets, \$188,000 for public service assets, and \$49,000 for tourism and recreation assets. Major capital asset additions for the 2020 fiscal year for business-type activities include approximately \$52,000 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	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Non-Depreciable Assets:						
Land	\$ 325	\$ 325	\$ 126	\$ 126	\$ 451	\$ 451
Depreciable Assets:						
Buildings	638	644	42	45	680	689
Improvements Other than Land	551	575	38	44	589	619
Equipment and Vehicles	1,033	724	183	157	1,216	881
Total	<u>\$2,547</u>	<u>\$2,268</u>	<u>\$ 389</u>	<u>\$ 372</u>	<u>\$2,936</u>	<u>\$2,640</u>

**Long-Term Debt and Capital Leases**

At the end of the fiscal year, the City had total long-term debt of \$162,359 and capital leases of \$463,946, a decrease in long-term debt of \$55,783 and an increase of \$463,946 for capital leases from the previous year.

**Economic Environment**

The City has budgeted \$25,000 in coal severance funds for the June 30, 2021 fiscal year. The City is unsure at this time if the full amount will be received.

The Police Department has applied for a Highway Safety Grant in the amount of \$20,000 for the June 30, 2021 fiscal year. This grant is awarded on a federal budget year of October 1, 2020 thru September 30, 2021. The City has been awarded \$18,400 for the June 30, 2021 fiscal year.

The City has applied for COVID-19 funding in the amount of \$222,838. At this time, we have not received the funding and are still awaiting a definite response. The city has also applied for and been approved for a USDA grant in the amount of \$26,400, with a match of \$8,805, for the purchase of a pickup truck for the street department in the June 30, 2021 fiscal year.

The City saw an increase in insurance premium tax in the June 30, 2020 budget year. The June 30, 2021 budget reflects this increase and we are hopeful that it will continue.

Although the City of Barbourville had expected to receive approximately \$61,559 in the form of municipal aid money from the Kentucky Department of Transportation for maintenance and repairs on city streets/sidewalks, and the purchase of equipment and labor in the June 30, 2020 budget year, the city did not receive these funds. These monies are project specific and have been included in the June 30, 2021 budget. The City is unsure at this time if it will receive the funding.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The City has also received notification from the Department of Local Government that the normal municipal road aid money has been reduced from the year's past. It has been notified that the total amount for the June 30, 2021 year expects to be approximately \$55,805.

The City continues to receive 25% of the occupational taxes collected from the Knox County Fiscal Court. The current agreement expired December 31, 2020. Because of the results of the COVID-19 pandemic, for the June 30, 2021 budget year, the city has reduced the amount of occupational tax that it expects to receive. The budget amount for June 30, 2021 is \$636,000.

For the year ended June 30, 2020, \$146,811 was collected for alcohol regulatory and license fees. \$140,000 has been budgeted for the year ending June 30, 2021.

Due to the fact that the June 30, 2021 budget was prepared during uncertain times of the COVID-19 pandemic, the City does expect to make budget amendments to this operating budget.

### **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, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,602,059	\$ 127,738	\$ 1,729,797	\$ 1,174,994
Insurance premium taxes receivable	134,328	--	134,328	--
Property taxes receivable, net	28,305	--	28,305	--
Franchise taxes receivable	17,635	--	17,635	--
Restaurant and motel taxes receivable	49,321	--	49,321	--
Intergovernmental receivable	24,376	--	24,376	--
Accounts receivable	55,095	--	55,095	1,311,015
Due from others	25,000	--	25,000	--
Total current assets	1,936,119	127,738	2,063,857	3,031,915
Restricted assets:				
Customers' deposits	--	--	--	998,042
Total restricted assets	--	--	--	998,042
Non-current assets:				
Investments	436,433	--	436,433	4,707,190
Capital assets				
Land, water rights, and construction in process	324,735	126,000	450,735	2,851,604
Other capital assets, net of depreciation	2,222,430	262,862	2,485,292	27,071,176
Total non-current assets	2,983,598	388,862	3,372,460	34,629,970
Total assets	\$ 4,919,717	\$ 516,600	\$ 5,436,317	\$38,659,927
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	\$ 665,083	\$ --	\$ 665,083	\$ 1,452,390
Deferred outflows related to OPEB	288,364	--	288,364	574,556
Total deferred outflows of resources	\$ 953,447	\$ --	\$ 953,447	\$ 2,026,946

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

**CITY OF BARBOURVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION (Continued)**  
**June 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Current maturities of long-term debt	\$ 6,314	\$ --	\$ 6,314	\$ 491,467
Current maturities of leases payable	66,568	--	66,568	--
Accounts payable	19,859	3,022	22,881	1,095,104
Accrued salaries and payroll withholdings	90,990	891	91,881	427,325
Accrued interest payable	1,479	--	1,479	28,552
Total current liabilities	<u>185,210</u>	<u>3,913</u>	<u>189,123</u>	<u>2,042,448</u>
Liabilities payable from restricted assets:				
Customers' deposits	--	--	--	998,042
Total liabilities payable from restricted assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>998,042</u>
Non-current liabilities:				
Long-term debt, less current maturities	156,045	--	156,045	8,239,194
Leases payable, less current maturities	397,378	--	397,378	--
Net pension liability	2,792,787	--	2,792,787	6,094,274
Net OPEB liability	703,146	--	703,146	1,457,078
Total non-current liabilities	<u>4,049,356</u>	<u>--</u>	<u>4,049,356</u>	<u>15,790,546</u>
Total liabilities	<u>\$ 4,234,566</u>	<u>\$ 3,913</u>	<u>\$ 4,238,479</u>	<u>\$ 18,831,036</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	\$ 304,258	\$ --	\$ 304,258	\$ 285,986
Deferred inflows related to OPEB	300,694	--	300,694	549,439
Total deferred inflows of resources	<u>\$ 604,952</u>	<u>\$ --</u>	<u>\$ 604,952</u>	<u>\$ 835,425</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,920,860	\$ 388,862	\$ 2,309,722	\$ 21,192,120
Unrestricted (Deficit)	<u>(887,214)</u>	<u>123,825</u>	<u>(763,389)</u>	<u>(171,708)</u>
Total net position	<u>\$ 1,033,646</u>	<u>\$ 512,687</u>	<u>\$ 1,546,333</u>	<u>\$ 21,020,412</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, 2020**

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 762,554	\$ 34,298	\$ 93,100	\$ --
Public safety:				
Police department	1,107,112	11,342	66,156	--
Fire department	135,051	--	21,425	--
Public services	801,604	358,185	83,868	--
Tourist and recreation	223,865	--	2,524	--
Interest on long-term debt	28,402	--	--	--
Total governmental activities	<u>3,058,588</u>	<u>403,825</u>	<u>267,073</u>	<u>--</u>
Business-type activity:				
Recreational park	139,522	66,533	--	--
Total business-type activity	<u>139,522</u>	<u>66,533</u>	<u>--</u>	<u>--</u>
Total primary government	<u>3,198,110</u>	<u>470,358</u>	<u>267,073</u>	<u>--</u>
Component unit:				
Barbourville Utility Commission	14,941,537	15,025,840	--	--
Total component unit	<u>\$ 14,941,537</u>	<u>\$ 15,025,840</u>	<u>\$ --</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
\$ (635,156)	\$ --	\$ (635,156)	\$ --
(1,029,614)	--	(1,029,614)	--
(113,626)	--	(113,626)	--
(359,551)	--	(359,551)	--
(221,341)	--	(221,341)	--
(28,402)	--	(28,402)	--
<u>(2,387,690)</u>	<u>--</u>	<u>(2,387,690)</u>	<u>--</u>
--	(72,989)	(72,989)	--
--	(72,989)	(72,989)	--
<u>(2,387,690)</u>	<u>(72,989)</u>	<u>(2,460,679)</u>	<u>--</u>
--	--	--	84,303
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 84,303</u>
719,519	--	719,519	--
531,867	--	531,867	--
490,632	--	490,632	--
551,826	--	551,826	--
148,851	--	148,851	--
18,931	--	18,931	--
40,704	--	40,704	--
34,995	15,764	50,759	--
7,973	--	7,973	135,251
246,822	1,250	248,072	203,264
158,931	--	158,931	(158,931)
<u>(506,953)</u>	<u>126,990</u>	<u>(379,963)</u>	<u>(510,000)</u>
<u>2,444,098</u>	<u>144,004</u>	<u>2,588,102</u>	<u>(330,416)</u>
56,408	71,015	127,423	(246,113)
<u>977,238</u>	<u>441,672</u>	<u>1,418,910</u>	<u>21,266,525</u>
<u>\$ 1,033,646</u>	<u>\$ 512,687</u>	<u>\$ 1,546,333</u>	<u>\$ 21,020,412</u>

**CITY OF BARBOURVILLE, KENTUCKY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020**

	General Fund	Tourism and Recreation Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash	\$ 890,179	\$ 690,865	\$ 21,015	\$ 1,602,059
Insurance premium taxes receivable	134,328	--	--	134,328
Property taxes receivable, net	28,305	--	--	28,305
Franchise taxes receivable	17,635	--	--	17,635
Restaurant and motel taxes receivable	49,321	--	--	49,321
Intergovernmental receivable	4,819	--	19,557	24,376
Accounts receivable	55,095	--	--	55,095
Due from others	25,000	100,268	--	125,268
Investments	285,000	151,433	--	436,433
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,489,682</u>	<u>\$ 942,566</u>	<u>\$ 40,572</u>	<u>\$ 2,472,820</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 19,039	\$ 820	\$ --	\$ 19,859
Accrued salaries and payroll withholdings	90,990	--	--	90,990
Due to other funds	100,268	--	--	100,268
Accrued interest	1,479	--	--	1,479
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>211,776</u>	<u>820</u>	<u>--</u>	<u>212,596</u>
 <b>FUND BALANCES</b>				
Restricted	--	--	8,718	8,718
Committed	--	941,746	31,854	973,600
Assigned	147,116	--	--	147,116
Unassigned	1,130,790	--	--	1,130,790
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,277,906</u>	<u>941,746</u>	<u>40,572</u>	<u>2,260,224</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 1,489,682</u>	<u>\$ 942,566</u>	<u>\$ 40,572</u>	<u>\$ 2,472,820</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, 2020**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 2,260,224
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund financial statements.	7,294,474
Accumulated depreciation has not been included in the governmental fund financial statements.	(4,747,309)
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.	(626,305)
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.	(3,495,933)
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 (\$953,447) and deferred inflows (\$604,952) are reported in the government-wide statement of net position.	<u>348,495</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,033,646</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, 2020**

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Occupational taxes	\$ 719,519	\$ --	\$ --	\$ 719,519
Insurance premium taxes	531,867	--	--	531,867
Property taxes	490,632	--	--	490,632
Restaurant and motel taxes	--	551,826	--	551,826
Charges for services	358,185	--	--	358,185
Franchise taxes	148,851	--	--	148,851
Utility taxes	18,931	--	--	18,931
Other taxes	40,704	--	--	40,704
Licenses, fees, and permits	45,640	--	--	45,640
Intergovernmental revenue	180,681	2,524	230,996	414,201
Fines and forfeitures	--	--	3,397	3,397
Other revenues	93,148	3,150	--	96,298
Investment income	7,824	100	49	7,973
	<u>2,635,982</u>	<u>557,600</u>	<u>234,442</u>	<u>3,428,024</u>
<b>EXPENDITURES</b>				
Current:				
General government	430,321	--	32,716	463,037
Public safety:				
Police department	982,073	--	--	982,073
Fire department	103,551	--	--	103,551
Public services	749,151	--	--	749,151
Tourist and recreation	9,958	184,588	--	194,546
Debt service:				
Principal payments	121,628	--	--	121,628
Interest on debt	28,402	--	--	28,402
Capital outlays	462,912	49,205	30,000	542,117
	<u>2,887,996</u>	<u>233,793</u>	<u>62,716</u>	<u>3,184,505</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (252,014)</u>	<u>\$ 323,807</u>	<u>\$ 171,726</u>	<u>\$ 243,519</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, 2020**

	<u>General Fund</u>	<u>Tourism and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	\$ 278,554	\$ --	\$ --	\$ 278,554
Transfers to other funds	(412,403)	(157,733)	(247,811)	(817,947)
Proceeds from long-term debt	445,000	--	--	445,000
Payments from component units	191,371	--	--	191,371
Proceeds from sale of assets	58,331	--	--	58,331
Net other financing sources (uses)	<u>560,853</u>	<u>(157,733)</u>	<u>(247,811)</u>	<u>155,309</u>
Net change in fund balances	308,839	166,074	(76,085)	398,828
Fund balances, July 1, 2019	<u>969,067</u>	<u>775,672</u>	<u>116,657</u>	<u>1,861,396</u>
Fund balances, June 30, 2020	<u><u>\$ 1,277,906</u></u>	<u><u>\$ 941,746</u></u>	<u><u>\$ 40,572</u></u>	<u><u>\$ 2,260,224</u></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, 2020**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 398,828

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.	542,117
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.	(327,195)
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.	(20,144)
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.	121,628
Governmental funds report the City's pension plan contributions (\$190,803) and OPEB contributions (\$51,979) 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 (\$392,688) and OPEB expense (\$63,920).	(213,826)
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>(445,000)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 56,408

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

**CITY OF BARBOURVILLE, KENTUCKY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**June 30, 2020**

	<u>Business-type Activities</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Recreational Park Fund</u>	<u>Self-Insurance Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 127,738	\$ 409,400
Total current assets	<u>127,738</u>	<u>409,400</u>
Non-current assets:		
Capital assets		
Land	126,000	--
Land development	524,849	--
Buildings	129,589	--
Equipment	604,078	--
Less accumulated depreciation	<u>(995,654)</u>	<u>--</u>
Total non-current assets	<u>388,862</u>	<u>--</u>
Total assets	<u>\$ 516,600</u>	<u>\$ 409,400</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 3,022	\$ --
Wages and payroll taxes payable	891	--
Claims payable	<u>--</u>	<u>9,694</u>
Total current liabilities	<u>3,913</u>	<u>9,694</u>
Total liabilities	<u>3,913</u>	<u>9,694</u>
<b>NET POSITION</b>		
Net investment in capital assets	388,862	--
Unrestricted	<u>123,825</u>	<u>399,706</u>
Total net position	<u>\$ 512,687</u>	<u>\$ 399,706</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 FUNDS  
Year Ended June 30, 2020**

	Business-type Activities	Governmental Activities Internal Service Fund
	Recreational Park Fund	Self-Insurance Fund
<b>OPERATING REVENUES</b>		
Charges for services:		
RV pad rental income	\$ 64,283	\$ --
Other rental income	2,250	--
Total charges for services	66,533	--
Other revenues	1,250	
Total operating revenues	67,783	--
<b>OPERATING EXPENSES</b>		
Personal services	11,204	--
Repairs and maintenance	13,592	--
Utilities	26,050	--
Operations expense	52,528	--
Supplies	113	--
Depreciation	31,635	--
Other operating expenses	4,400	--
Insurance	--	338,277
Total operating expenses	139,522	338,277
Operating (loss)	(71,739)	(338,277)
<b>NON-OPERATING REVENUE</b>		
Proceeds from sale of property	15,764	--
Investment income	--	1,263
Transfers from other funds	126,990	379,963
Total non-operating revenue	142,754	381,226
Change in net position	71,015	42,949
Net position, beginning, previously reported	441,672	--
Prior period adjustment	--	356,757
Net position, beginning, as restated	441,672	356,757
Net position, ending	\$ 512,687	\$ 399,706

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



**CITY OF BARBOURVILLE, KENTUCKY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2020**

	<u>Business-type Activities</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Recreational Park Fund</u>	<u>Self-Insurance Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 66,534	\$ --
Cash payments to suppliers for goods and services	(93,893)	--
Cash payments to employees for services	(10,667)	--
Cash payments for claims	--	(428,852)
Other cash received	1,250	--
Net cash (used in) operating activities	<u>(36,776)</u>	<u>(428,852)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(52,290)	--
Proceeds on sale of property	19,930	--
Investment income	--	1,263
Net cash provided by (used in) investing activities	<u>(32,360)</u>	<u>1,263</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	126,990	379,963
Net cash provided by noncapital financing activities	<u>126,990</u>	<u>379,963</u>
Net increase (decrease) in cash	57,854	(47,626)
Cash at July 1, 2019	69,884	457,026
Cash at June 30, 2020	<u>\$ 127,738</u>	<u>\$ 409,400</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>		
Operating (loss)	<u>\$ (71,739)</u>	<u>\$ (338,277)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	31,635	--
Change in assets and liabilities net of the effects: of investing and financing activities:		
Accounts payable	2,790	--
Wages and payroll taxes payable	538	--
Claims payable	--	(90,575)
Total adjustments	<u>34,963</u>	<u>(90,575)</u>
Net cash (used in) operating activities	<u>\$ (36,776)</u>	<u>\$ (428,852)</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, 2020**

	Agency Fund
<b>ASSETS</b>	
Cash	\$ 22,379
Property taxes receivable	27,905
Total assets	50,284
 <b>LIABILITIES</b>	
Due to Board of Education	50,284
Total liabilities	\$ 50,284

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, internal service 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, internal service fund, 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 reports the following internal service fund:

Self-Insurance Fund – Accounts for the City's self-insurance fund.

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 net realizable value 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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, 2020, the liability for accrued vacation leave included in the financial statements of the City was \$28,738.

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, 2020, accrued vacation leave for the component unit was \$322,902.

#### 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 1<sup>st</sup> and are based on the assessed value of property as listed on the previous January 1<sup>st</sup>. Taxes are due November 30<sup>th</sup> with payments prior to October 31<sup>st</sup> 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 \$158,931 in transfers from the utility commission during the year ended June 30, 2020. This is comprised of \$158,931 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 appropriations over expenditures

For the year ended June 30, 2020, budgeted appropriations exceeded actual expenditures and other financing sources (uses) in the General Fund.

#### 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 January 29, 2021, 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 \$1,729,797 in cash and \$436,433 in certificates of deposit at June 30, 2020. The discretely presented component unit's cash and investments consist of \$1,174,994 in cash and \$4,707,190 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, 2020, the amount shown as restricted assets totaled \$998,042.

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, 2020.

### Note 3. Property Taxes Receivable

Property taxes receivable as of June 30, 2020, consist of the following items:

Assessment Year	Property Taxes Due	Less Allowance	Net Property Taxes
2016	\$ 5,881	\$ 2,941	\$ 2,940
2017	3,831	1,916	1,915
2018	5,817	2,908	2,909
2019	6,394	3,197	3,197
2020	17,344	-	17,344
Totals	\$ 39,267	\$ 10,962	\$ 28,305

## 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, 2020, the amount due to the Tourism and Recreation Fund from the General Fund amounted to \$100,268. 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, 2020, consisted of the following amounts:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
Governmental Funds		
General Fund	\$ 437,485	\$ 412,403
Tourism & Recreation Fund	--	157,733
Nonmajor Funds	--	247,811
Proprietary Fund		
Recreation Park	126,990	--
Internal Service Fund		
Self-Insurance Fund	379,963	--
Component Unit	32,440	158,931
Total Transfers	<u>\$ 976,878</u>	<u>\$ 976,878</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, 2019	\$ 324,735	\$ 1,406,641	\$ 1,399,606	\$ 3,626,281	\$ 6,757,263
Increases	--	26,426	29,840	573,834	630,100
Decreases	--	--	--	(92,889)	(92,889)
Balance, June 30, 2020	\$ 324,735	\$ 1,433,067	\$ 1,429,446	\$ 4,107,226	\$ 7,294,474
Accumulated Depreciation:					
Balance, June 30, 2019	\$ --	\$ 762,482	\$ 824,289	\$ 2,902,896	\$ 4,489,667
Increases	--	32,141	54,400	240,654	327,195
Decreases	--	--	--	(69,553)	(69,553)
Balance, June 30, 2020	\$ --	\$ 794,623	\$ 878,689	\$ 3,073,997	\$ 4,747,309
Governmental Activities					
Capital Assets, Net	\$ 324,735	\$ 638,444	\$ 550,757	\$ 1,033,229	\$ 2,547,165
Business-type Activity:					
Balance, June 30, 2019	\$ 126,000	\$ 133,139	\$ 524,849	\$ 661,614	\$ 1,445,602
Increases	--	5,850	--	46,440	52,290
Decreases	--	(9,400)	--	(103,975)	(113,375)
Balance, June 30, 2020	\$ 126,000	\$ 129,589	\$ 524,849	\$ 604,079	\$ 1,384,517
Accumulated Depreciation:					
Balance, June 30, 2019	\$ --	\$ 88,297	\$ 480,355	\$ 504,577	\$ 1,073,229
Increases	--	5,448	6,417	19,770	31,635
Decreases	--	(5,811)	--	(103,398)	(109,209)
Balance, June 30, 2020	\$ --	\$ 87,934	\$ 486,772	\$ 420,949	\$ 995,655
Business-type Activity					
Capital Assets, Net	\$ 126,000	\$ 41,655	\$ 38,077	\$ 183,130	\$ 388,862
Primary Government					
Capital Assets, Net	\$ 450,735	\$ 680,099	\$ 588,834	\$ 1,216,359	\$ 2,936,027
Component Unit:					
Balance, June 30, 2019	\$ 2,851,604	\$ 25,161,024	\$ --	\$ 29,900,051	\$ 57,912,679
Increases	--	126,137	--	1,453,869	1,580,006
Decreases	--	--	--	--	--
Balance, June 30, 2020	\$ 2,851,604	\$ 25,287,161	\$ --	\$ 31,353,920	\$ 59,492,685
Accumulated Depreciation:					
Balance, June 30, 2019	\$ --	\$ 12,806,795	\$ --	\$ 14,554,521	\$ 27,361,316
Increases	--	727,411	--	1,481,178	2,208,589
Decreases	--	--	--	--	--
Balance, June 30, 2020	\$ --	\$ 13,534,206	\$ --	\$ 16,035,699	\$ 29,569,905
Component Unit					
Capital Assets, Net	\$ 2,851,604	\$ 11,752,955	\$ --	\$ 15,318,221	\$ 29,922,780

## 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	\$ 118,406
Public safety:	
Police department	92,324
Fire department	31,500
Public services	55,646
Tourist and recreation	29,319
Total governmental activities	327,195
Business-type Activity:	
Recreational park	31,635
Total business-type activity	31,635
Total depreciation expense	\$ 358,830

### 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. The claims expense related to the self-insurance program was \$371,793 and \$896,052 for the years ended June 30, 2020 and 2019, respectively. 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 \$80,000 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 payable during the year ended June 30, 2020 is as follows:

Year Ending	Beginning Balance	Claims and changes in estimates	Claim payments	Ending Balance
6/30/2019	\$ 36,496	412,149	(348,376)	\$ 100,269
6/30/2020	\$ 100,269	252,958	(343,533)	\$ 9,694

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 \$817,534 for the year ended June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Debt and Capital Leases

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, 2020 was \$162,359.

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, 2020 was 3.50%. Principal and interest payments are payable annually on December 1. The balance due as of June 30, 2020 was \$949,214.

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, 2020 was 2.50%. Principal and interest payments are payable annually on March 1. The balance due as of June 30, 2020 was \$472,934.

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, 2020 was \$1,844,115.

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, 2020 was \$3,989,293.

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, 2020 was \$1,475,105.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Debt and Capital Leases (Continued)

#### Capital Lease Obligations

The City finances certain buildings and equipment acquisitions under capital lease agreements expiring through 2024. The assets and liabilities on the capital lease are recorded at the fair value of the assets and are depreciated over the estimated productive life of the asset which is generally longer than the lease term. Leased assets are recorded at a cost of \$323,123 and related accumulated depreciation of \$15,074 as of June 30, 2020.

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

Description	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Due Within One Year
Primary Government					
Governmental Activities					
Long-term debt	\$ 218,142	\$ --	\$ 55,783	\$ 162,359	\$ 6,314
Leases payable	\$ --	\$ 529,791	\$ 65,845	\$ 463,946	\$ 66,568
Component Unit					
Long-term debt	\$9,216,405	\$ --	\$ 485,744	\$ 8,730,661	\$491,467

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
2021	\$ 6,314	\$ 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	--	--	515,277	89,582
2025-2029	--	--	2,671,326	352,954
2030-2034	--	--	2,839,536	184,753
2035-2039	--	--	649,033	51,206
2040-2044	--	--	54,380	2,027
Totals	\$ 162,359	\$ 20,991	\$ 8,730,661	\$ 1,098,846

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Debt and Capital Leases (Continued)

A summary of the District's capital lease payments (principal, interest and fees) as of June 30, 2020, is as follows:

Fiscal year	KACO	Enterprise Fleet	Total	Less: Interest and Fees
2021	\$ 71,978	\$ 18,757	\$ 90,735	\$ 24,166
2022	74,540	18,757	93,297	20,230
2023	76,890	18,757	95,647	16,082
2024	74,128	18,757	92,885	11,821
2025	76,265	8,262	84,527	6,979
2026	72,645	16,133	88,778	2,645
Total	<u>\$ 446,446</u>	<u>\$ 99,423</u>	<u>\$ 545,869</u>	<u>\$ 81,923</u>

The present value of the minimum debt service payments on the remaining \$463,946 capital lease obligations as of June 30, 2020, is summarized as follows:

Minimum debt service payments	\$ 545,869
Less interest	(81,923)
Present value, debt service payment	<u>\$ 463,946</u>

### 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, 2020, 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 waterpark was subsequently closed. Other areas of the park remain open and there are no future plans to re-open the water park.

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.



## NOTES TO FINANCIAL STATEMENTS

### Note 8. Operating Leases (Continued)

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.

*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 19.30%, 16.22%, and 14.48% for the years ended June 30, 2020, 2019, and 2018, respectively. Total nonhazardous contributions made by the City were \$120,574, \$90,772 and \$82,866 for the years ended June 30, 2020, 2019 and 2018, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. County Employees' Retirement System (Continued)

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 30.06%, 24.86%, and 22.20% for the years ended June 30, 2020, 2019, and 2018, respectively. Total hazardous contributions made by the City were \$70,229, \$63,180 and \$61,273 for the years ended June 30, 2020, 2019 and 2018, 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 \$455,375, \$359,489 and \$304,456 for the years ended June 30, 2020, 2019 and 2018, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2020, the City and component unit reported a liability of \$2,792,787 and \$6,094,274, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019, the City's proportion was 0.044624% for hazardous covered employees and 0.022183% for nonhazardous covered employees. At June 30, 2019, the component unit's proportion was 0.086652% for nonhazardous covered employees.

For the City, pension expense totaled \$392,688 for the year ended June 30, 2020. As of June 30, 2020, the City 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	\$ 277,556	\$ --
Net differences between projected and actual earnings on investments	48,911	(91,506)
Difference between actual and expected experience	92,207	(6,592)
Changes in proportion and differences between City's contributions and proportionate share of contributions	55,606	(206,160)
City's contributions subsequent to the measurement date	190,803	--
	\$ 665,083	\$ (304,258)

## NOTES TO FINANCIAL STATEMENTS

### Note 9. County Employees' Retirement System (Continued)

The City's deferred outflows of resources totaling \$190,803 will be recognized as a reduction of the net pension liability during the year ending June 30, 2021. Amounts reported as deferred outflows and inflows of resources as of June 30, 2020 will be recognized into pension expense as follows:

Year Ending June 30:	
2021	\$ 137,062
2022	18,763
2023	11,303
2024	2,894
	<u>\$ 170,022</u>

For the component unit, pension expense totaled \$1,121,394 for the year ended June 30, 2020. As of June 30, 2020, 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	\$ 616,810	\$ - -
Net differences between projected and actual earnings on investments	116,986	(215,228)
Difference between actual and expected experience	155,605	(25,750)
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	107,614	(45,008)
Commission contributions subsequent to the measurement date	455,375	- -
	<u>\$ 1,452,390</u>	<u>\$ (285,986)</u>

The component unit's deferred outflows of resources totaling \$455,375 will be recognized as a reduction of the net pension liability during the year ending June 30, 2021. Amounts reported as deferred outflows and inflows of resources as of June 30, 2020 will be recognized into pension expense as follows:

Year Ending June 30:	
2021	\$ 456,732
2022	172,351
2023	74,976
2024	6,970
	<u>\$ 711,029</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 9. County Employees' Retirement System (Continued)

*Actuarial assumptions:* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to years included in the measurement:

Inflation:	2.30%
Salary increases:	3.30% to 10.30% varies by service
Investment rate of return:	6.25%

The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2018) to the plan's fiscal year ended June 30, 2019, 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:

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9. County Employees' Retirement System (Continued)

*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	\$ 1,951,293	\$ 1,560,140	\$ 1,234,118
Net Pension Liability - Hazardous	1,541,085	1,232,647	979,772
Total Net Pension Liability	\$ 3,492,378	\$ 2,792,787	\$ 2,213,890

*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	\$ 7,622,208	\$ 6,094,274	\$ 4,820,755

*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.

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

*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%

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 4.76%, 5.26%, and 4.70% for the years ended June 30, 2020, 2019 and 2018, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

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 9.52%, 10.48%, and 9.35% for the years ended June 30, 2020, 2019, and 2018, 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 \$51,979, \$56,071, and \$52,704 for the years ended June 30, 2020, 2019, and 2018, respectively. Contributions to the KRS Insurance Fund from the Component Unit were \$112,310, \$116,579, and \$98,822 for the years ended June 30, 2020, 2019, and 2018, respectively.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2020, the City and Component Unit reported a liability of \$703,146 and \$1,457,078, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, 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, 2019, the City and Component Unit's proportion was 0.022183% and 0.086652%, respectively, for nonhazardous covered employees. For hazardous covered employees the City's proportion was 0.044624% and the Component Unit did not have any hazardous covered employees.

For the year ended June 30, 2020, the City and Component Unit recognized OPEB expense of \$63,920 and \$132,392, respectively. At June 30, 2020, 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	\$ 210,142	\$ (1,363)
Net differences between projected and actual earnings on investments	4,713	(40,261)
Difference between actual and expected experience	--	(173,967)
Changes in proportion and differences between City's contributions and proportionate share of contributions	21,530	(85,103)
City's contributions subsequent to the measurement date	51,979	--
	\$ 288,364	\$ (300,694)



## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

#### Component Unit

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 431,163	\$ (2,883)
Net differences between projected and actual earnings on investments	9,598	(74,315)
Difference between actual and expected experience	--	(439,634)
Changes in proportion and differences between Commission's contributions and proportionate share of contributions	21,485	(32,607)
Commission's contributions subsequent to the measurement date	112,310	--
	\$ 574,556	\$ (549,439)

The City and Component Unit's deferred outflows of resources of \$51,979 and \$112,310, 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, 2021. Other amounts reported as deferred outflows and inflows of resources as of June 30, 2020 will be recognized into OPEB expense (income) as follows:

#### City

##### Year Ending June 30:

2021	\$ (4,344)
2022	(21,896)
2023	(19,132)
2024	(8,220)
2025	(8,671)
2026	(2,046)
	\$ (64,309)



## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

#### Component Unit

##### Year Ending June 30:

2021	\$	(14,531)
2022		(14,531)
2023		6,045
2024		(33,362)
2025		(26,863)
2026		(3,951)
		\$ (87,193)

*Actuarial assumptions:* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.05% to 18.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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.

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

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 Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	100.00%	

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.68% for nonhazardous and 5.69% 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, 2019. 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.

*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 5.68% for nonhazardous and 5.69% 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 (4.68% for nonhazardous and 4.69% for hazardous) or 1-percentage-point higher (6.68% for nonhazardous and 6.69% for hazardous) than the current rate:

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

#### City

	1% Decrease - 4.68% Nonhazardous, 4.69% Hazardous	Current Discount Rate - 5.68% Nonhazardous, 5.69% Hazardous	1% Increase - 6.68% Nonhazardous, 6.69% Hazardous
Net OPEB Liability - Nonhazardous	\$ 499,744	\$ 373,058	\$ 268,677
Net OPEB Liability - Hazardous	460,540	330,088	224,200
Total Net OPEB Liability	\$ 960,284	\$ 703,146	\$ 492,877

#### Component Unit

	1% Decrease - 4.68% Nonhazardous	Current Discount Rate - 5.68% Nonhazardous	1% Increase - 6.68% Nonhazardous
Net OPEB Liability - Nonhazardous	\$ 1,951,885	\$ 1,457,078	\$ 1,049,390

*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	\$ 277,445	\$ 373,058	\$ 488,999
Net OPEB Liability - Hazardous	229,681	330,088	452,581
Total Net OPEB Liability	\$ 507,126	\$ 703,146	\$ 941,580

#### Component Unit

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	\$ 1,083,636	\$ 1,457,078	\$ 1,909,920

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Postemployment Benefits (Continued)

*Changes of assumptions:* The KRS Board of Trustees adopted updated actuarial assumptions which was used in performing the actuarial valuation as of June 30, 2019. Specifically, total OPEB liability as of June 30, 2019 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](http://www.kyret.ky.gov).

### Note 11. Asset Forfeitures

During 2020, 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, 2020, the total cash balance, reserved for these purposes was \$20,265. Collections and expenditures for the year ended June 30, 2020 were \$3,397 and \$62,716, respectively.

### Note 12. Fund Balances – Governmental Funds

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Tourism and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Street maintenance	\$ --	\$ --	\$ 8,718	\$ 8,718
Committed to:				
Law enforcement	--	--	31,854	31,854
Tourism and recreation	--	941,746	--	941,746
Assigned to:				
Fire service	147,116	--	--	147,116
Unassigned:	1,130,790	--	--	1,130,790
Total fund balances	\$ 1,277,906	\$ 941,746	\$ 40,572	\$ 2,260,224

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.

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Prior Period Adjustment

As of July 1, 2019, the City has included an internal service fund to account for the City's cash and claims payable related to its self-insurance fund. A cumulative effect adjustment was made as of July 1, 2019 to increase net position by \$356,757. This amount represented the amount of cash in the internal service fund in excess of claims payable as of July 1, 2019.

### Note 14. Uncertainty

Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of January 29, 2021 management believes that a material impact on the City's financial position and resuof future operations is reasonably possible.

**SUPPLEMENTARY INFORMATION**

**CITY OF BARBOURVILLE, KENTUCKY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Over (Under)
<b>REVENUES</b>				
Occupational taxes	\$ 705,000	\$ 705,000	\$ 719,519	\$ 14,519
Insurance premium taxes	450,000	450,000	531,867	81,867
Property taxes	485,424	489,474	490,632	1,158
Charges for services	373,800	370,725	358,185	(12,540)
Franchise taxes	145,000	135,000	148,851	13,851
Utility taxes	14,000	16,000	18,931	2,931
Other taxes	44,000	42,703	40,704	(1,999)
Licenses, fees, and permits	4,500	4,500	45,640	41,140
Intergovernmental revenue	63,426	189,526	180,681	(8,845)
Other revenues	65,391	609,190	93,148	(516,042)
Investment income	5,000	6,000	7,824	1,824
<b>Total revenues</b>	<b>2,355,541</b>	<b>3,018,118</b>	<b>2,635,982</b>	<b>(382,136)</b>
<b>EXPENDITURES</b>				
Current:				
General government	569,770	1,035,493	430,321	(605,172)
Public safety:				
Police department	1,093,306	1,108,846	982,073	(126,773)
Fire department	140,498	140,798	103,551	(37,247)
Public services	735,275	822,875	749,151	(73,724)
Tourist and recreation	10,000	10,000	9,958	(42)
Debt service	66,133	64,442	150,030	85,588
Capital outlays	69,000	298,954	462,912	163,958
<b>Total expenditures</b>	<b>2,683,982</b>	<b>3,481,408</b>	<b>2,887,996</b>	<b>(593,412)</b>
<b>Excess of revenues over expenditures</b>	<b>\$ (328,441)</b>	<b>\$ (463,290)</b>	<b>\$ (252,014)</b>	<b>\$ 211,276</b>

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, 2020**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	\$ 36,500	\$ 36,500	\$ 278,554	\$ 242,054
Transfers to other funds	--	--	(412,403)	(412,403)
Payments from component units	291,941	346,940	191,371	(155,569)
Proceeds from long-term debt	--	--	445,000	445,000
Proceeds from sale of assets	--	79,850	58,331	(21,519)
Net other financing sources	<u>328,441</u>	<u>463,290</u>	<u>560,853</u>	<u>97,563</u>
Net change in fund balances	--	--	308,839	308,839
Fund balance, July 1, 2019	<u>969,067</u>	<u>969,067</u>	<u>969,067</u>	<u>--</u>
Fund balance, June 30, 2020	<u>\$ 969,067</u>	<u>\$ 969,067</u>	<u>\$ 1,277,906</u>	<u>\$ 308,839</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, 2020**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Restaurant tax	\$ 492,000	\$ 492,000	\$ 533,974	\$ 41,974
Motel tax	23,000	23,000	17,852	(5,148)
Intergovernmental revenue	--	--	2,524	2,524
Other revenues	12,460	12,460	3,150	(9,310)
Investment income	--	--	100	100
<b>Total revenues</b>	<b>527,460</b>	<b>527,460</b>	<b>557,600</b>	<b>30,140</b>
<b>EXPENDITURES</b>				
Current:				
Tourist and recreation	389,770	349,770	184,588	(165,182)
Capital outlays	10,700	50,700	49,205	(1,495)
<b>Total expenditures</b>	<b>400,470</b>	<b>400,470</b>	<b>233,793</b>	<b>(166,677)</b>
<b>Excess of revenues over expenditures</b>	<b>126,990</b>	<b>126,990</b>	<b>323,807</b>	<b>196,817</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	126,990	126,990	(157,733)	(284,723)
<b>Net other financing (uses)</b>	<b>126,990</b>	<b>126,990</b>	<b>(157,733)</b>	<b>(284,723)</b>
<b>Net change in fund balances</b>	<b>253,980</b>	<b>253,980</b>	<b>166,074</b>	<b>(87,906)</b>
Fund balance, July 1, 2019	775,672	775,672	775,672	--
<b>Fund balance, June 30, 2020</b>	<b>\$ 1,029,652</b>	<b>\$ 1,029,652</b>	<b>\$ 941,746</b>	<b>\$ (87,906)</b>

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, 2020**

	<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>
<b>ASSETS</b>					
Cash	\$ 20,265	\$ 463	\$ 287	\$ --	\$ 21,015
Accounts receivable, intergovernmental	--	4,684	3,284	11,589	19,557
Total assets	<u>\$ 20,265</u>	<u>\$ 5,147</u>	<u>\$ 3,571</u>	<u>\$ 11,589</u>	<u>\$ 40,572</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Total liabilities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
 <b>FUND BALANCES</b>					
Restricted	--	5,147	3,571	--	8,718
Committed	20,265	--	--	11,589	31,854
Total fund balances	<u>20,265</u>	<u>5,147</u>	<u>3,571</u>	<u>11,589</u>	<u>40,572</u>
Total liabilities and fund balances	<u>\$ 20,265</u>	<u>\$ 5,147</u>	<u>\$ 3,571</u>	<u>\$ 11,589</u>	<u>\$ 40,572</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, 2020**

	Asset Forfeiture Fund	Municipal Aid Road Fund	Coal Severance Tax Fund	Alcohol Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenue	\$ --	\$ 68,880	\$ 14,989	\$ 147,127	\$ 230,996
Investment income	--	39	10	--	49
Fines and forfeitures	3,397	--	--	--	3,397
<b>Total revenues</b>	<b>3,397</b>	<b>68,919</b>	<b>14,999</b>	<b>147,127</b>	<b>234,442</b>
<b>EXPENDITURES</b>					
Current:					
Capital outlay	30,000	--	--	--	30,000
General government	32,716	--	--	--	32,716
<b>Total expenditures</b>	<b>62,716</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>62,716</b>
Excess (deficiency) of revenues over (under) expenditures	(59,319)	68,919	14,999	147,127	171,726
<b>OTHER FINANCING (USES)</b>					
Transfers to other funds	--	(73,000)	(28,000)	(146,811)	(247,811)
<b>Net other financing (uses)</b>	<b>--</b>	<b>(73,000)</b>	<b>(28,000)</b>	<b>(146,811)</b>	<b>(247,811)</b>
<b>Net change in fund balances</b>	<b>(59,319)</b>	<b>(4,081)</b>	<b>(13,001)</b>	<b>316</b>	<b>(76,085)</b>
Fund balances, July 1, 2019	79,584	9,228	16,572	11,273	116,657
<b>Fund balances, June 30, 2020</b>	<b>\$ 20,265</b>	<b>\$ 5,147</b>	<b>\$ 3,571</b>	<b>\$ 11,589</b>	<b>\$ 40,572</b>

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,			
	2019	2018	2017	2015
<b>NONHAZARDOUS</b>				
City's proportion of net pension liability	0.022183%	0.023089%	0.021092%	0.018660%
City's proportionate share of the net pension liability	\$ 1,560,140	\$ 1,406,251	\$ 1,234,580	\$ 918,761
City's covered-employee payroll	\$ 559,630	\$ 572,274	\$ 508,555	\$ 445,144
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	278.78%	245.73%	242.76%	206.40%
Plan Fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%
<b>HAZARDOUS</b>				
City's proportion of net pension liability	0.044624%	0.049547%	0.062876%	0.068646%
City's proportionate share of the net pension liability	\$ 1,232,647	\$ 1,198,273	\$ 1,406,711	\$ 1,177,929
City's covered-employee payroll	\$ 254,141	\$ 276,001	\$ 341,809	\$ 356,885
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	485.02%	434.16%	411.55%	330.06%
Plan Fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.80%	53.95%

\* June 30, 2019, 2018, 2017, 2016 and 2015 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,					
	2020	2019	2018	2017	2016	2015
<b>NONHAZARDOUS</b>						
Contractually required contribution	\$ 120,574	\$ 90,772	\$ 82,866	\$ 70,943	\$ 55,287	\$ 59,249
Contributions in relation to the contractually required contribution	(120,574)	(90,772)	(82,866)	(70,943)	(55,287)	(59,249)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
City's covered employee-payroll	\$ 624,736	\$ 559,630	\$ 572,274	\$ 508,555	\$ 445,144	\$ 464,700
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
<b>HAZARDOUS</b>						
Contractually required contribution	\$ 70,229	\$ 63,180	\$ 61,273	\$ 74,207	\$ 72,305	\$ 95,637
Contributions in relation to the contractually required contribution	(70,229)	(63,180)	(61,273)	(74,207)	(72,305)	(95,637)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
City's covered employee-payroll	\$ 233,630	\$ 254,141	\$ 276,001	\$ 341,809	\$ 356,885	\$ 461,345
Contributions as a percentage of covered-employee payroll	30.06%	24.86%	22.20%	21.71%	20.26%	20.73%

\* June 30, 2020, 2019, 2018, 2017, 2016 and 2015 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, 2019	June 30, 2018
<b>NONHAZARDOUS</b>		
City's proportion of net OPEB liability	0.022183%	0.023089%
City's proportionate share of the net OPEB liability	\$ 373,058	\$ 409,941
City's covered-employee payroll	\$ 559,630	\$ 572,274
City's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	66.66%	71.63%
Plan Fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%
<b>HAZARDOUS</b>		
City's proportion of net OPEB liability	0.044624%	0.049547%
City's proportionate share of the net OPEB liability	\$ 330,088	\$ 353,264
City's covered-employee payroll	\$ 254,141	\$ 276,001
City's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	129.88%	127.99%
Plan Fiduciary net position as a percentage of the total OPEB liability	64.44%	64.24%

\* June 30, 2019 and 2018 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,	
	2020	2019
	2020	2018
<b>NONHAZARDOUS</b>		
Contractually required contribution	\$ 29,737	\$ 29,437
Contributions in relation to the contractually required contribution	(29,737)	(29,437)
Contribution deficiency (excess)	\$ --	\$ --
City's covered employee-payroll	\$ 624,736	\$ 559,630
Contributions as a percentage of covered-employee payroll	4.76%	5.26%
		4.70%
<b>HAZARDOUS</b>		
Contractually required contribution	\$ 22,242	\$ 26,634
Contributions in relation to the contractually required contribution	(22,242)	(26,634)
Contribution deficiency (excess)	\$ --	\$ --
City's covered employee-payroll	\$ 233,630	\$ 254,141
Contributions as a percentage of covered-employee payroll	9.52%	10.48%
		9.35%

\* June 30, 2020, 2019 and 2018 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,					
	2019	2018	2017	2016	2015	2014
<b>NONHAZARDOUS</b>						
Commission's proportion of net pension liability	0.086520%	0.084834%	0.087052%	0.082493%	0.082194%	0.084334%
Commission's proportionate share of the net pension liability	\$ 6,094,274	\$ 5,166,649	\$ 5,095,421	\$ 4,061,660	\$ 3,533,964	\$ 2,736,000
Commission's covered-employee payroll	\$ 2,216,332	\$ 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	274.97%	245.73%	242.63%	205.93%	184.02%	141.41%
Plan Fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

\* June 30, 2019, 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,						
	2020	2019	2018	2017	2016	2015	2014
<b>NONHAZARDOUS</b>							
Contractually required contribution	\$ 455,375	\$ 359,489	\$ 304,456	\$ 292,965	\$ 244,851	\$ 244,851	\$ 265,835
Contributions in relation to the contractually required contribution	(455,375)	(359,489)	(304,456)	(292,965)	(244,851)	(244,851)	(265,835)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Commission's covered employee-payroll	\$ 2,359,456	\$ 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	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

\* June 30, 2020, 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,		
	2019	2018	2017
NONHAZARDOUS			
Commission's proportion of net OPEB liability	0.086652%	0.084834%	0.087052%
Commission's proportionate share of the net OPEB liability	\$ 1,457,078	\$ 1,506,140	\$ 1,750,043
Commission's covered-employee payroll	\$ 2,216,332	\$ 2,102,594	\$ 2,100,107
Commission's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	65.74%	71.63%	83.33%
Plan Fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

\* June 30, 2019, 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,		
	2020	2019	2018
<b>NONHAZARDOUS</b>			
Contractually required contribution	\$ 112,310	\$ 116,579	\$ 98,822
Contributions in relation to the contractually required contribution	(112,310)	(116,579)	(98,822)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Commission's covered employee-payroll	\$ 2,359,456	\$ 2,216,332	\$ 2,102,594
Contributions as a percentage of covered-employee payroll	4.76%	5.26%	4.70%
			4.73%

\* June 30, 2020, 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, 2020, 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 January 29, 2021.

**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  
January 29, 2021