

CITY OF CLARKSON
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

**CITY OF CLARKSON
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FOR THE YEAR ENDED JUNE 30, 2020**

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ACCOUNTANTS' COMPILATION REPORT

Honorable Mayor and Members of
the City Commission
City of Clarkson

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clarkson, Kentucky as of and for the year ended June 30, 2020, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 39-40, the schedule of the City's proportionate share of the net pension liability on pages 41-42, the schedule of the City's pension contributions on pages 43-44, the schedule of the City's proportionate share of the net OPEB liability on pages 45-46, the schedule of the City's OPEB contributions on pages 47-48 and the notes to required supplementary information on pages 49-50 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Other Matter

The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to City of Clarkson.

Respectfully submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
November 15, 2021

CITY OF CLARKSON
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 71,273	\$ 59,826	\$ 131,099
Taxes receivable	86,879	0	86,879
Accounts receivable, net of allowance	0	3,381	3,381
Other accounts receivable, net	16,196	0	16,196
Grants receivable	47,400	1,500	48,900
Unbilled revenue	0	27,124	27,124
Interfund receivable	2,795	0	2,795
Inventory	0	0	0
Prepaid expenses	0	0	0
TOTAL CURRENT ASSETS	224,543	91,831	316,374
NONCURRENT ASSETS			
Restricted cash	179,074	98,153	277,227
Capital assets not being depreciated	99,594	94,108	193,702
Other capital assets, net of depreciation	667,857	2,344,874	3,012,731
TOTAL NONCURRENT ASSETS	946,525	2,537,135	3,483,660
TOTAL ASSETS	1,171,068	2,628,966	3,800,034
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from OPEB	68,680	9,170	77,850
Deferred amounts from pension	157,369	21,486	178,855
TOTAL DEFERRED OUTFLOWS OF RESOURCES	226,049	30,656	256,705
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	62,878	449	63,327
Accrued liabilities	4,764	245	5,009
Customer deposits	4,911	40,325	45,236
Compensated absences	18,528	0	18,528
Accrued payroll	5,093	0	5,093
Accrued interest payable	2,549	21,692	24,241
Bonds payable, current	15,000	49,000	64,000
Current portion of long-term debt	18,914	0	18,914
TOTAL CURRENT LIABILITIES	132,637	111,711	244,348
NONCURRENT LIABILITIES			
Loan payable, long-term	218,286	0	218,286
Bonds payable	160,000	1,452,307	1,612,307
Net OPEB liability	124,933	14,751	139,684
Net pension liability	497,041	61,706	558,747
TOTAL NONCURRENT LIABILITIES	1,000,260	1,528,764	2,529,024
TOTAL LIABILITIES	1,132,897	1,640,475	2,773,372
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from OPEB	40,604	5,760	46,364
Deferred amounts from pension	13,448	2,266	15,714
TOTAL DEFERRED INFLOWS OF RESOURCES	54,052	8,026	62,078
NET POSITION			
Net investment in capital assets	355,251	937,675	1,292,926
Restricted	179,074	98,153	277,227
Unrestricted	(324,157)	(24,707)	(348,864)
TOTAL NET POSITION	\$ 210,168	\$ 1,011,121	\$ 1,221,289

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs:	Expenses	Program Revenues Received			Net (Expense) Revenue Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 448,148	\$ 5,000	\$ 1,200	\$ 0	\$ (441,948)	\$ 0	\$ (441,948)
Public safety							
Police	128,698	390	15,831	0	(112,477)	0	(112,477)
Fire	113,065	41,185	10,500	0	(61,380)	0	(61,380)
Parks and recreation	58,667	3,514	0	0	(55,153)	0	(55,153)
Sanitation	95,901	155,812	0	0	59,911	0	59,911
MRA	25,644	0	65,954	0	40,310	0	40,310
Interest on long-term debt	12,968	0	0	0	(12,968)	0	(12,968)
LGEA	0	0	2,458	0	2,458	0	2,458
Total governmental activities	<u>883,091</u>	<u>205,901</u>	<u>95,943</u>	<u>0</u>	<u>(581,247)</u>	<u>0</u>	<u>(581,247)</u>
Business-type activities							
Sewer	264,817	226,893	163,220	0	0	125,296	125,296
Total business-type activities	<u>264,817</u>	<u>226,893</u>	<u>163,220</u>	<u>0</u>	<u>0</u>	<u>125,296</u>	<u>125,296</u>
Total primary government	<u>\$ 1,147,908</u>	<u>\$ 432,794</u>	<u>\$ 259,163</u>	<u>\$ 0</u>	<u>(581,247)</u>	<u>125,296</u>	<u>(455,951)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					66,673	0	66,673
Motor vehicle taxes					4,109	0	4,109
Utility taxes					40,155	0	40,155
Occupational taxes					191,756	0	191,756
Insurance premium taxes					82,100	0	82,100
Telecommunications tax					5,984	0	5,984
Licenses and permits					4,318	0	4,318
Investment income					25	67	92
Miscellaneous					1,841	0	1,841
Insurance proceeds and gain on disposals						0	0
Transfers					(18)	18	0
Total general revenues and transfers					<u>396,943</u>	<u>85</u>	<u>397,028</u>
Change in net position					<u>(184,304)</u>	<u>125,381</u>	<u>(58,923)</u>
Net position - beginning of year					394,472	885,740	1,280,212
Net position - end of year					<u>\$ 210,168</u>	<u>\$ 1,011,121</u>	<u>\$ 1,221,289</u>

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	MRA Fund	Nonmajor Fund	Total Funds
ASSETS				
Cash and cash equivalents	\$ 52,235	\$ 19,038	\$ 0	\$ 71,273
Restricted cash	0	179,074	0	179,074
Taxes receivable	86,879	0	0	86,879
Interfund receivables	0	2,795	0	2,795
Grants receivable	0	47,400	0	47,400
Other accounts receivable, net	16,196	0	0	16,196
Inventory	0	0	0	0
Prepaid expenses	0	0	0	0
TOTAL ASSETS	\$ 155,310	\$ 248,307	\$ 0	\$ 403,617
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,478	\$ 47,400	\$ 0	\$ 62,878
Accrued liabilities	4,764	0	0	4,764
Payroll taxes payable	4,911	0	0	4,911
Accrued payroll	5,093	0	0	5,093
Other payables	0	0	0	0
Accrued interest payable	898	1,651	0	2,549
TOTAL LIABILITIES	31,144	49,051	0	80,195
FUND BALANCES				
Nonspendable	0	0	0	0
Restricted				
MRA	0	179,074	0	179,074
Committed				
Public safety	33,651	0	0	33,651
Assigned				
MRA	0	20,182	0	20,182
Parks and recreation	3,913	0	0	3,913
Unassigned	86,602	0	0	86,602
TOTAL FUND BALANCES	124,166	199,256	0	323,422
TOTAL LIABILITIES AND FUND BALANCES	\$ 155,310	\$ 248,307	\$ 0	\$ 403,617

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balance	\$ 323,422
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Amounts reported for "governmental activities" in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	767,451
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds.	
Deferred pension related outflows	157,369
Deferred pension related inflows	(13,448)
Deferred OPEB related outflows	68,680
Deferred OPEB related inflows	(40,604)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Net pension liability	(497,041)
Net OPEB liability	(124,933)
Notes payable	(412,200)
Compensated absences	(18,528)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 210,168
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See accompanying notes and accountants' compilation report.

CITY OF CLARKSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	MRA Fund	Nonmajor Fund	Total Funds
REVENUES				
Property taxes	\$ 66,673	\$ 0	\$ 0	\$ 66,673
Utility taxes	40,155	0	0	40,155
Occupational taxes	191,756	0	0	191,756
Insurance premium tax	82,100	0	0	82,100
Motor vehicle tax	4,109	0	0	4,109
Telecommunications tax	5,984	0	0	5,984
Licenses and permits	4,318	0	0	4,318
Intergovernmental revenue	28,789	65,954	0	94,743
Donations	1,200	0	0	1,200
Charges for services	205,901	0	0	205,901
Interest income	15	10	0	25
Miscellaneous revenues	1,841	0	0	1,841
TOTAL REVENUES	632,841	65,964	0	698,805
EXPENDITURES				
Current				
General government	294,859	0	0	294,859
Public safety				
Police	120,841	0	0	120,841
Fire	53,839	0	0	53,839
Sanitation	95,901	0	0	95,901
Parks and recreation	58,237	0	0	58,237
Streets	0	10,719	0	10,719
Capital outlay	31,507	48,086	0	79,593
Debt service				
Principal	0	0	17,974	17,974
Interest	0	0	12,968	12,968
TOTAL EXPENDITURES	655,184	58,805	30,942	744,931
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(22,343)	7,159	(30,942)	(46,126)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	0	175,000	0	175,000
Bond premium	0	1,177	0	1,177
Bond issuance costs	0	(6,177)	0	(6,177)
Proceeds from sale of capital assets	0	0	0	0
Operating transfers in	55,034	0	30,942	85,976
Operating transfers out	(84,343)	(1,651)	0	(85,994)
TOTAL OTHER FINANCING SOURCES (USES)	(29,309)	168,349	30,942	169,982
NET CHANGE IN FUND BALANCES	(51,652)	175,508	0	123,856
FUND BALANCES - BEGINNING	175,818	23,748	0	199,566
FUND BALANCES - ENDING	\$ 124,166	\$ 199,256	\$ 0	\$ 323,422

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds	\$	123,856
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		79,593
Depreciation		(104,508)
<p>Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt proceeds		(175,000)
Debt payments		17,974
<p>In the statement of activities, the change in net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources are reported. Whereas these changes are not reported in the governmental funds. Thus the change in net position differs from the change in fund balance by the respective increase or decrease in these accounts.</p>		
Net pension liability		(170,268)
Deferred outflows of resources - pension		54,629
Deferred inflows of resources - pension		17,377
Net OPEB liability		(29,154)
Deferred outflows of resources - OPEB		33,763
Deferred inflows of resources - OPEB		(18,302)
<p>In the statement of activities, the change in compensated absences is reported, whereas in the governmental fund, the change in the liability is not reported. Thus, the change in net position differs from the change in fund balances by the amount of the increase or decrease in compensated absences.</p>		
Compensated absences		<u>(14,264)</u>
Change in net position of governmental activities	\$	<u><u>(184,304)</u></u>

See accompanying notes and accountants' compilation report.

CITY OF CLARKSON
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2020

	Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 59,826
Accounts receivable, net of allowance	3,381
Unbilled revenue	27,124
Grants receivable	1,500
TOTAL CURRENT ASSETS	91,831
NONCURRENT ASSETS	
Restricted cash	98,153
Capital assets not being depreciated	94,108
Other capital assets, net of depreciation	2,344,874
TOTAL NONCURRENT ASSETS	2,537,135
TOTAL ASSETS	2,628,966
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts from OPEB	9,170
Deferred amounts from pension	21,486
TOTAL DEFERRED OUTFLOWS OF RESOURCES	30,656
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	449
Accrued liabilities	245
Customer deposits	40,325
Accrued interest payable	21,692
Bonds payable, current	49,000
TOTAL CURRENT LIABILITIES	111,711
NONCURRENT LIABILITIES	
Bonds payable	1,452,307
Net OPEB liability	14,751
Net pension liability	61,706
TOTAL NONCURRENT LIABILITIES	1,528,764
TOTAL LIABILITIES	1,640,475
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts from OPEB	5,760
Deferred amounts from pension	2,266
TOTAL DEFERRED INFLOWS OF RESOURCES	8,026
NET POSITION	
Net investment in capital assets	937,675
Restricted for	
Debt service	57,000
Depreciation reserve	41,153
Unrestricted	(24,707)
TOTAL NET POSITION	\$ 1,011,121

See accompanying notes and accountants' compilation report.

CITY OF CLARKSON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Sewer Fund
OPERATING REVENUES	
Charges for services, net of refunds of \$449	\$ 226,893
TOTAL OPERATING REVENUES	226,893
OPERATING EXPENSES	
Payroll and related benefits and taxes	32,782
Repairs and maintenance	12,070
Insurance	6,606
Utilities	26,326
Professional services	2,123
General administrative, supplies, and services	28,884
Depreciation expense	106,998
TOTAL OPERATING EXPENSES	215,789
OPERATING INCOME (LOSS)	11,104
NON-OPERATING REVENUES (EXPENSES)	
Interest income	67
Interest expense	(42,028)
Grant revenue	163,220
Other non-operating income (expenses)	(7,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	114,259
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	125,363
Operating transfers in	48,018
Operating transfers out	(48,000)
CHANGES IN NET POSITION	125,381
NET POSITION - BEGINNING	885,740
NET POSITION - ENDING	\$ 1,011,121

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 471,578
Payments to suppliers	(374,761)
Cash payments to employees for services	(48,017)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	48,800
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Operating subsidies and transfers from other funds	48,018
Operating subsidies and transfers to other funds	(48,000)
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	18
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on debt	(33,241)
Principal payments on debt	(46,693)
Acquisition of capital assets	(148,587)
Proceeds from sale of capital assets	0
Grant proceeds	163,220
Other receipts (payments)	(7,000)
Rounding	(1)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(72,302)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	67
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	67
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,417)
CASH AND CASH EQUIVALENTS - JULY 1, 2019	181,396
CASH AND CASH EQUIVALENTS - JUNE 30, 2020	\$ 157,979
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 11,104
Adjustments to reconcile net operating income to net cash provided (used) by operating activities	
Depreciation expense	106,998
Changes in assets and liabilities	
(Increase) decrease in accounts receivable, net of allowance	11,493
(Increase) decrease in unbilled revenue	(27,124)
(Increase) decrease in grants receivable	245,384
(Increase) decrease in deferred outflows of resources - pension	(5,236)
Increase (decrease) in net pension liability	901
Increase (decrease) in deferred inflows of resources - pension	(4,806)
Increase (decrease) in accounts payable	(298,997)
Increase (decrease) in accrued liabilities	245
Increase (decrease) customer deposits	14,932
(Increase) decrease in deferred outflows of resources - OPEB	(4,405)
Increase (decrease) in net OPEB liability	(2,976)
Increase (decrease) in deferred inflows of resources - OPEB	1,287
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 48,800

See accompanying notes and accountants' compilation report.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board). Determination of the financial reporting entity of the City is founded upon the objective of accountability. Therefore, these financial statements include the City government (the primary government).

1. Reporting Entity

The City of Clarkson, Kentucky (the “City”) was chartered in 1908 and incorporated under the provisions of the State of Kentucky. The City operates under the Mayor-Commission Form of government. As authorized by its charter, the City provides the following services: public safety (police and fire), streets, sewer, sanitation, recreation, public improvements, and general administrative services.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Clarkson. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Clarkson.

The citizens of Clarkson elect a mayor-at-large and four (4) City Commissioners.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the City is financially accountable. The City is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units”, the criteria for inclusion in the reporting entity involve those cases where the City or its officials appoint a voting majority of an organization’s governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City’s financial statements to be incomplete. Applying this definition, City management has determined there are no component units reportable within the accompanying financial statements.

2. Basis of Presentation

The City’s *government-wide financial statements* provide both short-term and long-term information about the City’s overall financial status. *Fund financial statements* focus on the individual activities of City government, reporting the City’s operations in more detail than the government-wide financial statements.

3. Basis of Accounting and Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Governmental funds use the modified accrual basis of accounting and proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and the presentation of expenses versus expenditures.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Basis of Accounting and Measurement Focus (Continued)*

Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Government-wide Financial Statements

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position.

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Basis of Accounting and Measurement Focus (Concluded)*

The City reports the following major governmental funds:

General Fund: The General Fund is the City of Clarkson, Kentucky’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Road Aid Fund: The fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures to be used to account for and report resources restricted or committed to improvement of the City’s roads and sidewalks. The primary sources of revenue are intergovernmental grants. The Municipal Road Aid fund was considered a major fund of the City at June 30, 2020.

The City reports the following non-major fund:

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest payments on long-term debt.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary fund:

The Sewer Fund accounts for all activities related to the provision of sewer services to the City of Clarkson, Kentucky’s businesses, residents, schools, and churches. It operates the sewer treatment plant, sewer collection systems, and pump stations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. *Cash and Cash Equivalents*

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

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Restricted Cash and Cash Equivalents

Restricted assets include those monies reserved for revenue bond debt and loans with reserve covenants.

6. Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

7. Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories are carried at cost on the first in, first out-FIFO basis. There was no inventory recorded at June 30, 2020.

8. Capital Assets

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

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,000. The City uses a threshold of \$5,000 for infrastructure (streets, roads, bridges, sidewalks). Improvements to buildings and land are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. All reported capital assets are depreciated. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Description	Governmental Activities Estimated Lives
Buildings	25 - 50 Years
Improvements	10 - 50 Years
Machinery, furniture, and equipment	5 - 10 Years
Infrastructure	15 - 75 Years
Sewer systems	25 - 50 Years

9. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

11. Compensated Absences

The criteria for determining compensated absences (i.e., paid absences for employee vacation and sick leave benefit) liability are derived from City policy, negotiated agreements, and state law. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported for compensated absences in the governmental fund financial statements only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2020 are determined on the basis of current salary rates and include salary related payments.

Sick pay is charged to the fund financial statements when paid. Generally, sick leave is paid only when an employee is absent due to illness, injury, or related family death. Employees are not eligible for sick pay upon termination or retirement.

The estimated total accumulated amount of unused sick leave at June 30, 2020 totals \$18,528.

12. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form-prepaid items or inventories; or (b) legally or contractually required to be maintained intact. At June 30, 2020, the City had \$0 in nonspendable fund balance.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the City had \$179,074 restricted for the municipal road aid fund.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Fund Balances (Concluded)

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commission – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. At June 30, 2020, the City had \$33,651 committed for public safety.

Assigned fund balance. This classification reflects the amounts constrained by the town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Commission and Mayor have the authority to assign amounts to be used for specific purposes. There were \$20,182 in assigned fund balances related to encumbrances at June 30, 2020. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. At June 30, 2020, the City had \$3,913 assigned for parks.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative balances in other governmental funds.

The City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

13. Net Position

Net position represents the difference between assets and deferred outflow and liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

14. Pensions and OPEB Plans

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS Non-Hazardous”) and County Employees Retirement System Hazardous (“CERS Hazardous”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the positions. For this purpose, benefit payments (including refunds on employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$0.0870 per \$100 valuation for real property, \$0.1107 per \$100 valuation for business personal property and \$0.1000 per \$100 valuation for motor vehicles.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Interfund Balances

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

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involve entities external to the City are accounted for as revenues, expenditures, or expenses in the funds.

17. Interfund Activity

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

18. Budgetary Process

Budgetary Basis of Accounting: The City’s budgetary process accounts for its transactions the same as the governmental funds, using the modified accrual basis of accounting. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Budget amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

19. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts. Actual results could differ from those estimates.

20. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The City has one item that qualifies as a deferred outflow of resources for CERS pension and OPEB contributions made subsequent to the pension plan’s measurement date.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

20. *Deferred Outflows/Inflows of Resources (Concluded)*

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category; that item is the proportionate share of CERS amounts reported for the net difference between projected and actual earnings on pension and OPEB plan investments. This item is reported on the proprietary fund statement of net position and on the government-wide statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

21. *Recently Issued and Adopted Accounting Principles*

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions below.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2020, the GASB issued statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6-9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE B – CASH AND CASH EQUIVALENTS

Custodial Credit Risk: For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk. Cash deposits held at BNY Mellon are secured by FDIC up to \$250,000 and any excess is secured by U.S. Government Obligations. At June 30, 2020, \$0 of the government's bank balance of \$416,593 was uncollateralized and exposed to custodial credit risk.

NOTE C – LONG-TERM OBLIGATIONS

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business type activities.

Annual debt service requirements to maturity are as follows:

	Governmental activities		
	Principal	Interest	Total
2021	\$ 33,914	\$ 13,442	\$ 47,356
2022	31,746	12,074	43,820
2023	20,824	11,064	31,888
2024	21,056	10,495	31,551
2025	21,297	9,916	31,213
2026 – 2030	135,450	39,428	174,878
2031 – 2035	43,090	24,912	68,002
2036 – 2040	52,378	15,625	68,003
2041 – 2044	52,445	4,498	56,943
	<u>\$ 412,200</u>	<u>\$ 141,454</u>	<u>\$ 553,654</u>

	Business-type activities		
	Principal	Interest	Total
2021	\$ 49,000	\$ 43,387	\$ 92,387
2022	50,000	41,480	91,480
2023	52,500	39,538	92,038
2024	54,000	37,486	91,486
2025	57,000	35,362	92,362
2026 – 2030	280,500	141,162	421,662
2031 – 2035	160,500	102,663	263,163
2036 – 2040	160,500	79,415	239,915
2041 – 2045	143,500	62,184	205,684
2046 – 2050	160,000	46,170	206,170
2051 – 2055	177,500	28,311	205,811
2056 – 2059	156,307	8,510	164,817
	<u>\$ 1,501,307</u>	<u>\$ 665,668</u>	<u>\$ 2,166,975</u>

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE C – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ending June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due in one year
Governmental activities:					
Police vehicle loan	\$ 7,829	\$ 0	\$ (3,065)	\$ 4,764	\$ 3,227
City Hall loan	217,628	0	(5,215)	212,413	5,272
Fire truck loan	29,717	0	(9,694)	20,023	10,415
Sidewalk Projects bond	0	175,000	0	175,000	15,000
Total governmental activities:	<u>\$ 255,174</u>	<u>\$ 175,000</u>	<u>\$ (17,974)</u>	<u>\$ 412,200</u>	<u>\$ 33,914</u>
Business-type activities:					
1989 Series A Revenue Bonds	\$ 199,000	\$ 0	\$ (16,000)	\$ 183,000	\$ 17,000
1989 Series B Revenue Bonds	106,000	0	(8,000)	98,000	9,000
2001 Series C Revenue Bonds	143,000	0	(5,000)	138,000	5,000
2018 Series A Revenue Bonds	700,000	0	(11,615)	688,385	12,000
2018 Series B Revenue Bonds	400,000	0	(6,078)	393,922	6,000
Total business-type activities	<u>\$ 1,548,000</u>	<u>\$ 0</u>	<u>\$ (46,693)</u>	<u>\$ 1,501,307</u>	<u>\$ 49,000</u>

During the June 30, 2017 fiscal year, the City incurred a note payable with Bank of Clarkson. The loan proceeds were utilized by the General Fund to purchase a police sport utility vehicle. The note is payable in quarterly installments of \$847, bears interest at a rate of 4.49%, and matures in December 2021.

The City received loan proceeds, during the June 30, 2015 fiscal year, from Bank of Clarkson to aid in the construction of a new city hall building. The note is payable in monthly installments of \$1,333, bears interest at 3.92%, and matures March 09, 2045.

During the June 30, 2018 fiscal year, the City received loan proceeds from Bank of Clarkson to purchase a fire truck. The note is payable in annual installments of \$11,407, bears interest at a rate of 4.5%, and matures in October 2022. The debt is secured by the fire truck. In the event of default, all principal and accrued interest will be due and payable immediately.

The City has been approved for Transportation Alternative Program (TAP) Awards during the June 30, 2020 fiscal year in the amounts of \$275,066 and \$403,834 to aid in the construction of city sidewalks. Although the TAP Awards are to provide 80% of total project expenses, the City entered into a bonded lease agreement with the Kentucky Bond Corporation to provide the remaining 20% of funds to be utilized for project expenses. The City received \$175,000 in bond proceeds from the Kentucky Bond Corporation on November 6, 2019, with an interest rate of 2.42%, and matures in 2030. Principal payments are due annually and interest payments are due semi-annually.

The City issued and sold its Sewer System Revenue Bonds, 1989 Series A and B, to United States Department of Agriculture Rural Development (USDA RD) in 1990 to aid in financing the construction, acquisition and installation of the municipal sanitary sewer system. The 1989 Series A and B Revenue Bonds bear an interest rate of 5.0%, mature in 2029, and had a balance outstanding of \$183,000 and \$98,000 at June 30, 2020, respectively. Each Revenue Bond has principal payments due annually and interest payments due semi-annually. Upon default of payment of any principal or interest payment, USDA RD has the option to enforce all rights and remedies provided by law.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE C – LONG-TERM OBLIGATIONS (CONTINUED)

In August 1999, the City issued and sold its Sewer System Revenue Bonds, Series of 1999 to the USDA RD to aid in financing the construction, acquisition and installation of major improvements and additions to the sewer system. The Revenue Bond has an interest rate of 4.5%, matures in 2039, and has principal payments due annually and interest payments due semi-annually. Balance outstanding at June 30, 2020 was \$138,000. In the event of default, any court having jurisdiction may appoint a receiver to administer the System on behalf of the City to charge and collect rates sufficient to provide for the payment of any bonds outstanding.

During the fiscal year end June 30, 2019, the City issued \$1,100,000 in Revenue Bonds to USDA RD for the Sewer Fund project. There were two issues each maturing in 2059. One issue, 2018 Series A, in the amount of \$700,000 carries an interest rate of 2.000%. The second issue, 2018 Series B, in the amount of \$400,000 carries an interest rate of 2.375%.

Bond Covenants

Bond covenants stipulate that the annual modified net revenue be at least 1.25 times the maximum annual debt service requirement for all bonds outstanding. Bond covenants stipulate that a sinking fund, reserve fund, and depreciation fund are to receive monthly deposits from the revenue fund until required limits are reached. The City believes it is in compliance with all significant covenants and restrictions, including federal arbitrage regulations.

All bond and interest payments are paid from these restricted funds. These funds and their current requirements are presented in summary as follows:

Revenue Fund – Receipts for services are deposited into this fund and disbursed as follows:

1. Bond and Interest Sinking Fund-There is to be a monthly deposit of an amount equal to one twelfth (1/12) of the next ensuing principal payment due and one sixth (1/6) of the next ensuing interest payment due. These funds are used to pay bond principal and interest obligations on an annual and semi-annual basis.
2. Depreciation Fund-This fund shall receive a monthly deposit of \$426 from the Revenue Fund after the above bond principal and interest transfers have been made. The deposits will continue as long as any bonds remain outstanding and unpaid and the balance in the depreciation account is less than \$51,120. The actual balance of the Depreciation Fund at June 30, 2020 totaled \$41,153. Funds have been withdrawn from the fund to maintain the sewer system.

In addition, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the sewer system, and the cash proceeds of any surplus, worn out or obsolescent properties of the sewer system, if the same is sold on order of the City. Any fees that may be levied and collected by the City for the privilege of connecting to the System (excluding initial deposits received in aid of the Project, if any) shall be paid, as received, into the Depreciation Fund.

**CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

NOTE C – LONG-TERM OBLIGATIONS (CONCLUDED)

The Depreciation Fund shall be available and may be withdrawn and used by the City, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of constructing additions and improvements to the sewer system which will either enhance its revenue-producing capacity or provide a high degree of service. This Fund shall be available for transfer to the Bond and Interest Sinking Fund in order to avoid a default in connection with any bonds payable from the Sinking Fund.

3. Operation and Maintenance Fund-This Fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfer has been made. This Fund is used to pay operating expenses. Any funds remaining after meeting these expenses in excess of two (2) months' operating expense reserve shall be transferred into the Depreciation Fund.

Conduit Debt

On June 24, 2016, the City issued Series 2017 (\$6,600,000) Kentucky Industrial Building Revenue Bonds to provide financial assistance to the private company for the acquisition and construction of facilities deemed to be in the public interest. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE D – TRANSFERS

The following transfers were made during the year ending June 30, 2020:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Debt Service Fund	Debt service	\$ 29,291
MRA Fund	Debt Service Fund	Debt service	1,651
Sewer Fund	General Fund	Fund expenditures	48,000
General Fund	Sewer Fund	Fund expenditures	48,018
Parks & Recreation Fund	General Fund	Fund expenditures	6,034
General Fund	Parks & Recreation Fund	Fund expenditures	1,000
			<u>\$ 133,994</u>

NOTE E – TAX ABATEMENT AGREEMENT

The City has one property tax abatement agreement with a local business who constructed new facilities within the city limits in 2015. Pursuant to the Industrial Building Revenue Bond Act (Section 103.200), the City issued \$6,600,000 of bonds (Series 2015 City of Clarkson, Kentucky Industrial Revenue Building Bonds) to fund the project (see Note C). The City and the Company entered into a payment in lieu of taxes agreement in accordance with KRS 154.32. Beginning January 1, 2016 and for each calendar year thereafter through the calendar year ending December 31, 2036 (the "PILOT Term", the Company will make on or before December 1 of each of those years a payment to the City of Clarkson, Kentucky in the amount of \$8,000 (the "Payment in Lieu Amount"). The Company shall have no obligation to pay any other amounts related to ad valorem property taxes to the City during the PILOT Term. At such time as the Bonds are no longer outstanding, the Project shall be transferred by the Issuer to the Company and the real property, improvements and equipment constituting the Project shall be placed on the City tax rolls for assessment and payment of all applicable local ad valorem taxes.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE F – CAPITAL ASSETS

Capital assets for the year ending June 30, 2020 are as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities				
Capital assets not being depreciated:				
Land, general government	\$ 20,908	\$ 0	\$ 0	\$ 20,908
Construction in process	0	686	0	686
Land, recreation	<u>78,000</u>	<u>0</u>	<u>0</u>	<u>78,000</u>
Total capital assets not being depreciated	98,908	686	0	99,594
Capital assets being depreciated:				
Building and improvements	704,034	6,450	0	710,484
Infrastructure	1,247,558	47,400	0	1,294,958
Equipment – Office, fire and police department	740,647	25,057	0	765,704
Equipment – Municipal Road Aid Fund	15,900	0	0	15,900
Equipment – Parks and recreation	<u>8,300</u>	<u>0</u>	<u>0</u>	<u>8,300</u>
Total capital assets being depreciated	2,716,439	78,907	0	2,795,346
Less: accumulated depreciation				
Building and improvements	(327,716)	(14,444)	0	(342,160)
Infrastructure	(1,128,384)	(9,923)	0	(1,138,307)
Equipment – Office, fire and police department	(544,547)	(79,711)	0	(624,258)
Equipment – Municipal Road Aid Fund	(15,897)	0	0	(15,897)
Equipment – Parks and recreation	<u>(6,437)</u>	<u>(430)</u>	<u>0</u>	<u>(6,867)</u>
Total accumulated depreciation	<u>(2,022,981)</u>	<u>(104,508)</u>	<u>0</u>	<u>(2,127,489)</u>
Total depreciable capital assets, net	<u>693,458</u>	<u>(25,601)</u>	<u>0</u>	<u>667,857</u>
Governmental activities capital assets, net	<u>\$ 792,366</u>	<u>\$ (24,915)</u>	<u>\$ 0</u>	<u>\$ 767,451</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 94,108	\$ 0	\$ 0	\$ 94,108
Construction in process	<u>1,736,884</u>	<u>0</u>	<u>(1,736,884)</u>	<u>0</u>
Total capital assets not being depreciated	1,830,992	0	(1,736,884)	94,108
Capital assets being depreciated:				
Equipment	11,503	0	0	11,503
Sewer treatment plant and system	1,941,712	1,885,471	0	3,827,183
Vehicle	<u>10,100</u>	<u>0</u>	<u>0</u>	<u>10,100</u>
Total capital assets being depreciated	1,963,315	1,885,471	0	3,848,786
Less: accumulated depreciation	<u>(1,396,914)</u>	<u>(106,998)</u>	<u>0</u>	<u>(1,503,912)</u>
Total depreciable capital assets, net	<u>566,401</u>	<u>1,778,473</u>	<u>0</u>	<u>2,344,874</u>
Business-type activities capital assets, net	<u>\$ 2,397,393</u>	<u>\$ 1,778,473</u>	<u>\$ (1,736,884)</u>	<u>\$ 2,438,982</u>
Depreciation expense attributable to governmental activities was charged to the governmental functions/programs per the statement of activities as follows:				
General government				\$ 27,071
Public safety				67,084
Parks and recreation				430
Sanitation				0
Streets				<u>9,923</u>
				<u>\$ 104,508</u>

During the year ended June 30, 2020, the City capitalized \$686 in interest costs.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE G – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers' compensation claims.

The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool to insure against workers' compensation claims.

The City purchases commercial insurance for various risks of loss due to torts, thefts, property damage, errors and omissions, injuries to employees and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H – CONTINGENCIES

Litigation

The City is party to pending civil suits that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE I – SUBSEQUENT EVENTS

City of Clarkson's management has evaluated and considered the need to recognize or disclose subsequent events through November 15, 2021, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2020, have not been evaluated by management.

Early in 2020, the United States was struck with the COVID-19 virus. It has severely impacted economies around the globe, as businesses are being forced to cease or limit operations for long or indefinite periods of time. The measures taken to contain the spread of the virus has resulted in an economic slowdown. While some steps have been taken to stabilize economic conditions, the effectiveness of these responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of the pandemic, as well as their impact on the financial position of the City for future periods.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS

General Information About the Pension Plan: All full-time and eligible part-time employees of the City participate in the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Benefits Provided – Non-Hazardous: The information below summarizes the major retirement benefit provisions of CERS Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Members whose participation began before 8/1/2004:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

**CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

<u>Service Credit</u>	<u>Benefit Factor</u>
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

OPEB Benefits Provided – Non-Hazardous: The information below summarizes the major retirement benefit provisions of CERS Non-hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Insurance Tier 1: Participation began before 7/1/2003:

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008:

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The System provides a monthly contribution subsidy of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008:

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

Contributions: The City was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal years ended June 30, 2020 and 2019, participating employers contributed 24.06% (19.30% allocated to pension and 4.76% allocated to OPEB) and 21.48% (16.22% allocated to pension and 5.26% allocated to OPEB) as set by KRS, respectively, of each Non-hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investment earnings.

The City has met 100% of the contribution funding requirement for the year ended June 30, 2020. Total current year Non-hazardous contributions recognized by the Plan were \$36,965 (\$29,652 related to pension and \$7,313 related to OPEB) for the year ended June 30, 2020.

Members whose participation began before 9/1/2008:

Non-hazardous contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

**CITY OF CLARKSON
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020**

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Members whose participation began on or after 9/1/2008:

Non-hazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member’s account and 1% deposited to the KRS 401(h) Account. Interest paid on the members’ accounts will be set at 2.5%. Each member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014:

Non-hazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member’s account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member’s portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Benefits Provided – Hazardous: The information below summarizes the major retirement benefit provisions of CERS Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Members whose participation began before 9/1/2008:

Age and Service Requirement: Age 55 with at least one month of Hazardous duty service credit, or at any age with 20 or more years of service credit.

Benefit: If a member has at least 60 months of service, the monthly benefit is 2.50% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest three (3) fiscal years of salary. If a member has less than 60 months of service, the monthly benefit is the actuarial equivalent of two times the member’s contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014:

Age and Service Requirement: Age 60 with 60 months of Hazardous duty service credit, or at any age with at least 25 years of service credit.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement, multiplied by final average compensation, multiplied by years of service.

<u>Service Credit</u>	<u>Benefit Factor</u>
10 years or less	1.30%
10+ - 20 years	1.50%
20+ - 25 years	2.25%
Greater than 25 years	2.50%

Final compensation is calculated by taking the average of the highest three (3) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 60 with at least 60 months of Hazardous duty service credit, or any age with at least 25 years of service.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 8% of creditable compensation, and the member's employer contributes 7.50% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

OPEB Benefits Provided - Hazardous: The information below summarizes the major retirement benefit provisions of CERS Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003:

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008:

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The System provides a monthly contribution subsidy of \$15 for each year of earned hazardous service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008:

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

Contributions: The City was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

**CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

For the fiscal years ended June 30, 2020 and 2019, participating employers contributed 39.58% (30.06% allocated to pension and 9.52% allocated to OPEB) and 35.34% (24.87% allocated to pension and 10.47% allocated to OPEB) as set by KRS, respectively, of each Hazardous employee’s creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investment earnings.

The City has met 100% of the contribution funding requirement for the year ended June 30, 2020. Total current year Hazardous contributions recognized by the Plan were \$14,288 (\$10,898 related to pension and \$3,390 related to OPEB) for the year ended June 30, 2020.

Members whose participation began before 9/1/2008:

Hazardous contributions equal 8% of all creditable compensation. Interest paid on the members’ accounts is currently 2.0%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Hazardous contributions equal to 9% of all creditable compensation, with 8% being credited to the member’s account and 1% deposited to the KRS 401(h) Account. Interest paid on the members’ accounts will be set at 2.5%. Each member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014:

Hazardous contributions equal to 9% of all creditable compensation, with 8% being credited to the member’s account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member’s portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Information

Total Pension Liability: The total pension liability (“TPL”) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Non-Hazardous:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

Hazardous:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.55% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

The mortality table used for active members was a PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 6.25%, which did not change from the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

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

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the City’s allocated portion of the net pension liability (“NPL”) of the System, calculated using the discount rate of 6.25%, as well as what the City’s allocated portion 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:

	<u>1% Decrease</u> 5.25%	<u>Current Discount Rate</u> 6.25%	<u>1% Increase</u> 7.25%
Net pension liability – Non-hazardous	\$432,604	\$345,885	\$273,606
	<u>1% Decrease</u> 5.25%	<u>Current Discount Rate</u> 6.25%	<u>1% Increase</u> 7.25%
Net pension liability – Hazardous	\$266,125	\$212,862	\$169,194

Employer’s Portion of the Collective Net Pension Liability: The City’s Non-hazardous proportionate share of the net pension liability, as indicated in the prior table, is \$345,885, or approximately 0.0049180%, and the Hazardous proportionate share is \$212,862, or approximately 0.0077060%. The net pension liability was distributed based on 2019 actual employer contributions to the plan.

Measurement Date: June 30, 2019 is the actuarial valuation date and measurement date upon which the total pension liability is based.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Changes in Assumptions and Benefit Terms: The assumed rate regarding salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous. The assumed rate regarding salary increases changed from a range of 3.05% to 18.55% to a range of 3.55% to 19.05%, which varies by service for CERS hazardous. The payroll growth rate was 2.00% for CERS non-hazardous and hazardous participants.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer’s reporting date.

Pension Expense: The City was allocated Non-Hazardous pension expense of \$78,727, and Hazardous pension expense of \$50,180 related to the CERS for the year ending June 30, 2020.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,875	\$ 1,461
Change of assumptions	55,670	0
Differences between expected and actual investment earnings on plan investments	0	8,587
Changes in proportion and differences between City contributions and proportionate share of contributions	64,761	5,666
City contributions subsequent to the measurement date	40,549	0
Total	\$ 178,855	\$ 15,714

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$40,549 (\$29,651 for non-hazardous and \$10,898 for hazardous) will be recognized as a reduction of net pension liability in the year ending June 30, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

Year Ending June 30,	Amount	
	Non-Hazardous	Hazardous
2020	\$ 41,148	\$ 26,057
2021	25,575	13,242
2022	10,965	5,016
2023	397	192
Total	\$ 78,085	\$ 44,507

**CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Pension Plan Fiduciary Net Position: Detailed information about the pension plans’ fiduciary net position is available in the separately issued pension plan financial reports.

Payable to the Pension Plan: At June 30, 2020, the City reported a payable of \$4,764 (included in payroll taxes and accrued liabilities in the Statement of Net Position) for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

OPEB Information

Total OPEB Liability: The total other postemployment benefits liability (“OPEB”) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Non-Hazardous:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Hazardous:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.55% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members was a PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability non-hazardous was 5.68%, which was decreased from the 5.85% discount rate used in the prior year. The discount rate used to measure the total OPEB liability hazardous was 5.69%, which was decreased from the 5.97% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.13% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

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

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate. The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the City’s allocated portion of the System’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.68%) or 1 percentage point higher (6.68%) than the current rate for non-hazardous:

	<u>1% Decrease</u> 4.68%	<u>Current Discount Rate</u> 5.68%	<u>1% Increase</u> 6.68%
Net OPEB liability – Non-Hazardous	\$110,764	\$82,685	\$59,550
	<u>1% Decrease</u> 4.68%	<u>Current Discount Rate</u> 5.68%	<u>1% Increase</u> 6.68%
Net OPEB liability – Hazardous	\$79,525	\$56,999	\$38,714

The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate, as well as what the City’s allocated portion of the System’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate for non-hazardous and hazardous:

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONTINUED)

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability – Non-Hazardous	\$61,493	\$82,685	\$108,382
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability – Hazardous	\$39,661	\$56,999	\$78,150

Employer’s Portion of the Collective OPEB Liability: The City’s Non-Hazardous proportionate share of the net OPEB liability, as indicated in the prior table, is \$82,685, or approximately 0.0049160%, and the Hazardous proportionate share is \$56,999, or approximately 0.0077040%. The net OPEB liability was distributed based on 2019 actual employer contributions to the plan.

Measurement Date: June 30, 2019 is the actuarial valuation date and measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: The assumed rate regarding salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous. The assumed rate regarding salary increases changed from a range of 3.05% to 18.55% to a range of 3.55% to 19.05%, which varies by service for CERS hazardous. The payroll growth rate was 2.00% for CERS non-hazardous and hazardous participants.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer’s reporting date.

OPEB Expense: The City was allocated OPEB Non-Hazardous expense of \$11,398, and OPEB Hazardous expense of \$10,418 related to the CERS for the year ending June 30, 2020.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 35,552
Change of assumptions	41,692	272
Differences between expected and actual investment earnings on plan investments	0	6,949
Changes in proportion and differences between City contributions and proportionate share of contributions	22,333	3,591
City contributions subsequent to the measurement date	13,825	0
Total	\$ 77,850	\$ 46,364

CITY OF CLARKSON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE J – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST-SHARING – CERS (CONCLUDED)

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$13,825 (\$10,326 for non-hazardous and \$3,499 for hazardous), which includes the implicit subsidy reported of \$3,122 (\$3,013 for non-hazardous and \$109 for hazardous), will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

Year Ending June 30,	Amount	
	Non-Hazardous	Hazardous
2020	\$ 1,714	\$ 5,201
2021	1,714	2,169
2022	2,881	407
2023	640	1,092
2024	1,279	0
Thereafter	564	0
Total	\$ 8,792	\$ 8,869

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLARKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 63,000	\$ 63,000	\$ 66,673	\$ 3,673
Utility taxes	38,000	38,000	40,155	2,155
Occupational taxes	175,000	175,000	191,756	16,756
Insurance premium tax	80,000	80,000	82,100	2,100
Motor vehicle tax	5,000	5,000	4,109	(891)
Telecommunications tax	6,250	6,250	5,984	(266)
Licenses and permits	3,500	3,500	4,318	818
Intergovernmental revenue	29,000	29,000	28,789	(211)
Donations	0	0	1,200	1,200
Charges for services	208,500	208,500	205,901	(2,599)
Interest income	0	0	15	15
Miscellaneous revenues	1,500	1,500	1,841	341
TOTAL REVENUES	<u>609,750</u>	<u>609,750</u>	<u>632,841</u>	<u>23,091</u>
EXPENDITURES				
Current				
General government	387,650	387,650	294,859	92,791
Public safety				
Police	133,386	133,386	120,841	12,545
Fire	74,407	74,407	53,839	20,568
Sanitation	102,000	102,000	95,901	6,099
Parks and recreation	46,000	46,000	58,237	(12,237)
Streets	0	0	0	0
Capital outlay	<u>25,750</u>	<u>25,750</u>	<u>31,507</u>	<u>(5,757)</u>
TOTAL EXPENDITURES	<u>769,193</u>	<u>769,193</u>	<u>655,184</u>	<u>114,009</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(159,443)	(159,443)	(22,343)	137,100
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	0	0	0	0
Operating transfers in	73,000	73,000	55,034	(17,966)
Operating transfers out	(25,250)	(25,250)	(84,343)	(59,093)
TOTAL OTHER FINANCING SOURCES (USES)	<u>47,750</u>	<u>47,750</u>	<u>(29,309)</u>	<u>(77,059)</u>
NET CHANGE IN FUND BALANCES	(111,693)	(111,693)	(51,652)	60,041
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>175,818</u>	<u>175,818</u>
FUND BALANCES - ENDING	<u>\$ (111,693)</u>	<u>\$ (111,693)</u>	<u>\$ 124,166</u>	<u>\$ 235,859</u>

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 0	\$ 0	\$ 0	\$ 0
Utility taxes	0	0	0	0
Occupational taxes	0	0	0	0
Insurance premium tax	0	0	0	0
Motor vehicle tax	0	0	0	0
Telecommunications tax	0	0	0	0
Licenses and permits	0	0	0	0
Intergovernmental revenue	18,000	18,000	65,954	47,954
Donations	0	0	0	0
Charges for services	0	0	0	0
Interest income	0	0	10	10
Miscellaneous revenues	0	0	0	0
TOTAL REVENUES	<u>18,000</u>	<u>18,000</u>	<u>65,964</u>	<u>47,964</u>
EXPENDITURES				
Current				
General government	0	0	0	0
Public safety				
Police	0	0	0	0
Fire	0	0	0	0
Sanitation	0	0	0	0
Parks and recreation	0	0	0	0
Streets	10,750	10,750	10,719	31
Capital outlay	<u>0</u>	<u>0</u>	<u>48,086</u>	<u>(48,086)</u>
TOTAL EXPENDITURES	<u>10,750</u>	<u>10,750</u>	<u>58,805</u>	<u>(48,055)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,250	7,250	7,159	(91)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	0	0	175,000	175,000
Bond premium	0	0	1,177	1,177
Bond issuance costs	0	0	(6,177)	(6,177)
Proceeds from sale of capital assets	0	0	0	0
Operating transfers in	0	0	0	0
Operating transfers out	0	0	(1,651)	(1,651)
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>168,349</u>	<u>168,349</u>
NET CHANGE IN FUND BALANCES	7,250	7,250	175,508	168,258
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>23,748</u>	<u>23,748</u>
FUND BALANCES - ENDING	<u>\$ 7,250</u>	<u>\$ 7,250</u>	<u>\$ 199,256</u>	<u>\$ 192,006</u>

See accompanying notes and accountants' compilation report.

City of Clarkson
Schedule of the City's Proportionate Share of the Net Pension Liability - Non-Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net pension liability (asset)	0.003935%	0.003771%	0.003690%	0.004048%	0.003770%	0.004918%
City's proportionate share of the net pension liability (asset)	\$ 127,663	\$ 162,133	\$ 181,699	\$ 236,942	\$ 229,605	\$ 345,885
City's covered-employee payroll	\$ 95,869	\$ 96,290	\$ 99,251	\$ 96,817	\$ 93,446	\$ 87,824
City's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	133.16%	168.38%	183.07%	244.73%	245.71%	393.84%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2015 was the first year of implementation, therefore, only six years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's Proportionate Share of the Net Pension Liability - Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net pension liability (asset)	0.589440%	0.004401%	0.005997%	0.005632%	0.006532%	0.007706%
City's proportionate share of the net pension liability (asset)	\$ 70,835	\$ 67,553	\$ 102,912	\$ 145,736	\$ 157,974	\$ 212,862
City's covered-employee payroll	\$ 26,633	\$ 32,113	\$ 34,269	\$ 35,758	\$ 36,378	\$ 70,607
City's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	265.97%	210.36%	300.31%	407.56%	434.26%	301.47%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2015 was the first year of implementation, therefore, only six years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's Pension Contributions - Non-Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 12,277	\$ 12,327	\$ 13,506	\$ 13,531	\$ 14,245	\$ 29,651
Contributions in relation to the contractually required contribution	<u>(12,277)</u>	<u>(12,327)</u>	<u>(13,506)</u>	<u>(13,531)</u>	<u>(14,245)</u>	<u>(29,651)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 96,290	\$ 99,251	\$ 96,817	\$ 93,446	\$ 87,824	\$ 154,535
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.19%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2015 was the first year of implementation, therefore, only six years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's Pension Contributions - Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 6,657	\$ 6,943	\$ 7,763	\$ 8,076	\$ 17,553	\$ 10,898
Contributions in relation to the contractually required contribution	<u>(6,657)</u>	<u>(6,943)</u>	<u>(7,763)</u>	<u>(8,076)</u>	<u>(17,553)</u>	<u>(10,898)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 32,113	\$ 34,269	\$ 35,758	\$ 36,378	\$ 70,607	\$ 36,100
Contributions as a percentage of covered-employee payroll	20.73%	20.26%	21.71%	22.20%	24.86%	30.19%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2015 was the first year of implementation, therefore, only six years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's Proportionate Share of the Net OPEB Liability - Non-Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net OPEB liability (asset)	0.003770%	0.003770%	0.004916%
City's proportionate share of the net OPEB liability (asset)	\$ 81,379	\$ 66,936	\$ 82,685
City's covered-employee payroll	\$ 96,817	\$ 93,446	\$ 87,900
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	84.05%	71.63%	94.07%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2018 was the first year of implementation, therefore, only three years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's Proportionate Share of the Net OPEB Liability - Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net OPEB liability (asset)	0.006532%	0.006532%	0.007704%
City's proportionate share of the net OPEB liability (asset)	\$ 53,848	\$ 46,570	\$ 56,999
City's covered-employee payroll	\$ 35,758	\$ 36,385	\$ 70,607
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	150.59%	127.99%	80.73%
Plan fiduciary net position as a percentage of the total OPEB liability	58.99%	64.24%	64.44%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2018 was the first year of implementation, therefore, only three years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's OPEB Contributions - Non-Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 4,392	\$ 4,623	\$ 7,313
Contributions in relation to the contractually required contribution	<u>(4,392)</u>	<u>(4,623)</u>	<u>(7,313)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Contributions as a percentage of contractually required contribution for OPEB	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 93,446	\$ 87,900	\$ 154,535
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.73%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2018 was the first year of implementation, therefore, only three years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

City of Clarkson
Schedule of the City's OPEB Contributions - Hazardous
For the Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 3,402	\$ 7,400	\$ 3,390
Contributions in relation to the contractually required contribution	<u>(3,402)</u>	<u>(7,400)</u>	<u>(3,390)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Contributions as a percentage of contractually required contribution for OPEB	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 36,385	\$ 70,607	\$ 36,100
Contributions as a percentage of covered-employee payroll	9.35%	10.48%	9.39%

*The amounts presented for each fiscal year were determined as of June 30. Fiscal year 2018 was the first year of implementation, therefore, only three years are shown. Additional years will be displayed as they become available.

See accountants' compilation report.

CITY OF CLARKSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – BUDGET

The City prepares both its financial statements and budget using accounting principles generally accepted in the United States of America (GAAP). Accordingly, there is no difference in revenues, expenditures, and changes in fund balance between the financial statements and its budget presentation.

NOTE 2 – PENSION

Changes in Assumptions and Benefit Terms:

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Payroll growth rate is 2.00% for CERS non-hazardous and hazardous.
- The assumed rate for salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous.
- The assumed rate regarding salary increases changed from a range of 3.05% to 18.55% to a range of 3.55% to 19.05%, which varies by service for CERS hazardous.

2018: There were no changes in assumptions and benefit terms since the prior measurement date.

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

2016: There were no changes in assumptions and benefit terms since the prior measurement date.

2015: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in the CERS actuary report. The changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

See accountants' compilation report.

CITY OF CLARKSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 – OPEB

Changes in Assumptions and Benefit Terms:

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed rate for salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous.
- The assumed rate regarding salary increases changed from a range of 3.05% to 18.55% to a range of 3.55% to 19.05%, which varies by service for CERS hazardous.

2018: There were no changes in assumptions and benefit terms since the prior measurement date.

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.
- Non-Hazardous Plan, single discount rate was reduced from 6.89% to 5.84%.
- Hazardous Plan, single discount rate was reduced from 7.37% to 5.96%.

See accountants' compilation report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CLARKSON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Debt Service Fund	Total Non-major Fund
ASSETS		
Cash and cash equivalents	\$ 0	\$ 0
Interfund receivables	0	0
Restricted cash	0	0
Investments - noncurrent	0	0
TOTAL ASSETS	\$ 0	\$ 0
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 0	\$ 0
Accrued liabilities	0	0
TOTAL LIABILITIES	0	0
FUND BALANCES		
Restricted for MRA	0	0
TOTAL FUND BALANCES	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 0

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020**

	Debt Service Fund	Total Non-major Fund
REVENUES		
Intergovernmental revenue	\$ 0	\$ 0
Interest income	0	0
TOTAL REVENUES	0	0
 EXPENDITURES		
Current		
Debt service		
Principal	17,974	17,974
Interest	12,968	12,968
TOTAL EXPENDITURES	30,942	30,942
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,942)	(30,942)
 OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	0	0
Operating transfers in	30,942	30,942
TOTAL OTHER FINANCING SOURCES (USES)	30,942	30,942
 NET CHANGE IN FUND BALANCES	0	0
 FUND BALANCES - BEGINNING	0	0
 FUND BALANCES - ENDING	\$ 0	\$ 0

See accompanying notes and accountants' compilation report.

**CITY OF CLARKSON
SCHEDULE OF GENERAL GOVERNMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020**

GENERAL GOVERNMENT

Advertising	\$	1,436
Dues and subscriptions		3,298
Health and life insurance		54,975
Insurance		15,348
Miscellaneous operating expenses		3,957
Office supplies and postage		6,405
Contract services		1,348
Payroll tax expense		18,507
Professional services		2,501
Repairs and maintenance		5,412
Salaries and benefits		133,018
Supplies		351
Telephone		6,004
Travel		1,037
Utilities		41,262
TOTAL GENERAL GOVERNMENT	\$	<u>294,859</u>

PARKS AND RECREATION

Insurance	\$	4,161
Advertising		767
Miscellaneous		6,379
Park salaries		18,806
Supplies		21,902
Professional services		2,125
Repairs		1,785
Utilities		2,312
TOTAL PARKS AND RECREATION	\$	<u>58,237</u>

PUBLIC SAFETY

POLICE

Police gas	\$	5,820
Police insurance		9,990
Police salaries and benefits		99,245
Police other		5,786
TOTAL POLICE	\$	<u>120,841</u>

FIRE

Fuel and oil expense	\$	2,859
Insurance		10,677
Other fire		6,141
Training		2,500
Repairs and maintenance		9,733
Supplies		16,174
Utilities		5,755
TOTAL FIRE	\$	<u>53,839</u>

SANITATION

Licenses and permits	\$	59,508
Fuel		6,058
Repairs and maintenance		3,329
Salaries and benefits		27,006
TOTAL SANITATION	\$	<u>95,901</u>

See accompanying notes and accountants' compilation report.