

CITY OF CYNTHIANA
Cynthiana, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Commissioners
City of Cynthiana, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information on pages 4–10 and 39–55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cynthiana, Kentucky's basic financial statements. The schedule of operations – water and sewer fund and schedule of revenue bond requirements – water and sewer fund are presented for purposes of additional analysis and are not required part of the basic financial statements.

The schedule of operations – water and sewer fund and schedule of revenue bond requirements – water and sewer fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operations – water and sewer fund and schedule of revenue bond requirements – water and sewer fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the City's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated March 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020, on our consideration of the City of Cynthiana, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cynthiana, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cynthiana, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
May 11, 2020

City of Cynthiana

Management's Discussion and Analysis

Our discussion and analysis of the City of Cynthiana's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read the following in conjunction with the auditors' report on page 1 and the City's financial statements, which begin to appear on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position decreased in the governmental activities and business-type activities during 2019. The net position of the governmental activities decreased by \$1,243,072. The net position of the business-type activities decreased by \$571,072.
- Occupational license fees and insurance premium fees slightly increased above last year's revenue.
- The City continues to receive a 4% regulatory fee on all retail alcohol sales in Cynthiana.
- The City budgeted conservatively and continued cost containment measures implemented by management. There were some capital expenditures and the City tried to maintain the current level of services.
- The City sold one of the homes for the Westside Redevelopment Project during 2019.
- The City purchased a dilapidated property located at E. Pike Street and S. Main Street known as the Lerman Building and have stabilized by new roofs, windows, and flooring.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position-the difference between assets and deferred outflows and liabilities and deferred inflows-as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position is an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including general government administration, police, fire, streets, and sanitation. Property taxes, licenses and permits (including occupational licenses fees, insurance premium fees, and franchise fees), and grants finance most of these activities.

Business-type activities - The City collects fees from customers to cover the costs of the services, provided by the water and sewer utility.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary fund - Services for which the City charges customers fees are generally reported in proprietary funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Governmental</u>
Current and Other Assets	\$ 2,592,439	\$ 366,777	\$ 2,959,216
Noncurrent and Capital Assets	7,808,746	21,783,083	29,591,829
Deferred Outflows of Resources	<u>2,814,665</u>	<u>622,533</u>	<u>3,437,198</u>
Total Assets and Deferred Outflows	<u>\$ 13,215,850</u>	<u>\$ 22,772,393</u>	<u>\$ 35,988,243</u>
Long-Term Accrued Leave Payable	\$ 189,982	\$ 58,489	\$ 248,471
Long-Term Debt	610,676	7,680,691	8,291,367
Net Pension and OPEB Liabilities	9,960,330	2,401,664	12,361,994
Other Current Liabilities	<u>209,899</u>	<u>177,657</u>	<u>387,556</u>
Total Liabilities	<u>\$ 10,970,887</u>	<u>\$ 10,318,501</u>	<u>\$ 21,289,388</u>
Deferred Inflows of Resources	<u>\$ 886,650</u>	<u>\$ 154,116</u>	<u>\$ 1,040,766</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,520,168	\$ 13,512,662	\$ 20,032,830
Restricted	159,403	589,730	749,133
Unrestricted	<u>(5,321,258)</u>	<u>(1,802,616)</u>	<u>(7,123,874)</u>
Total Net Position	<u>\$ 1,358,313</u>	<u>\$ 12,299,776</u>	<u>\$ 13,658,089</u>

Table A-2

Condensed Statement of Activities

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Program Revenues			
Charges for services	\$ 369,987	\$ 3,028,995	\$ 3,398,982
Operating grants & contributions	848,410	-	848,410
Capital grants & contributions	<u>130,839</u>	<u>-</u>	<u>130,839</u>
Total Revenue	<u>1,349,236</u>	<u>3,028,995</u>	<u>4,378,231</u>
Program Expenses			
Public affairs	611,660	-	611,660
Public finance	311,295	-	311,295
Public safety-police	2,285,475	-	2,285,475
Public safety-fire	2,046,766	-	2,046,766
Public safety-dispatch	596,552	-	596,552
Public works	798,450	-	798,450
Public property	323,279	-	323,279
Sanitation	325,836	-	325,836
Code enforcement	17,237	-	17,237
Main street	44,942	-	44,942
Interest on long-term debt	22,805	-	22,805
Water	-	2,240,551	2,240,551
Sewer	<u>-</u>	<u>1,361,937</u>	<u>1,361,937</u>
Total Program Expenses	<u>7,384,297</u>	<u>3,602,488</u>	<u>10,986,785</u>
Net Revenues (Expenses)	<u>(6,035,061)</u>	<u>(573,493)</u>	<u>(6,608,554)</u>
General Revenues			
Taxes	707,266	-	707,266
License fees	4,082,491	-	4,082,491
Investment earnings	13,531	2,118	15,649
Miscellaneous	<u>64,452</u>	<u>-</u>	<u>64,452</u>
Total General Revenue	<u>4,867,740</u>	<u>2,118</u>	<u>4,869,858</u>
Gain (loss) on disposal	<u>(75,751)</u>	<u>303</u>	<u>(75,448)</u>
Net Change in Net Position	<u>\$ (1,243,072)</u>	<u>\$ (571,072)</u>	<u>\$ (1,814,144)</u>

The City's change in Net Position above appear to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the governmental activities, these numbers include depreciation expense which is not a cash expenditure of the City. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis.

GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental funds.

Table A-3

Condensed Governmental Funds – Revenues & Expenditures

	<u>General</u>	<u>Other Gov't Funds</u>	<u>Total</u>
Taxes	\$ 707,266	\$ -	\$ 707,266
Licenses and permits	4,082,491	-	4,082,491
Intergovernmental	848,410	130,839	979,249
Charges for services	369,987	-	369,987
Other revenues	<u>77,823</u>	<u>160</u>	<u>77,983</u>
Total revenues	<u>6,085,977</u>	<u>130,999</u>	<u>6,216,976</u>
Public affairs	529,664	-	529,664
Public finance	271,991	-	271,991
Public safety – police	1,755,571	-	1,755,571
Public safety-fire	1,559,791	-	1,559,791
Public safety-dispatch	497,319	-	497,319
Public works	595,793	-	595,793
Public property	322,473	-	322,473
Sanitation	325,836	-	325,836
Code enforcement	17,237	-	17,237
Main street	36,522	-	36,522
Debt service	199,125	-	199,125
Capital outlay	<u>738,818</u>	<u>129,220</u>	<u>868,038</u>
Total expenditures	<u>6,850,140</u>	<u>129,220</u>	<u>6,979,360</u>
Excess (deficiency) of revenues over expenses before other financing sources	<u>\$ (764,163)</u>	<u>\$ 1,779</u>	<u>\$ (762,384)</u>

The bottom number of Table A-3 above, should not be confused with the end-of-year "Fund Balance" figure shown in the City's General Fund Budget, because the above does not reflect the General Fund's beginning-of-year balance and any debt proceeds received during the fiscal year.

BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City did amend its budget. The budget contains proposed expenditures and expected revenues. A comparison of the budget to actual amounts for governmental activities is presented in the table below (Tables A-4 & A-5).

Table A-4

Condensed Governmental Funds – Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Taxes	\$ 706,994	\$ 707,266	\$ 272
Licenses and permits	4,076,852	4,082,491	5,639
Intergovernmental	840,987	848,410	7,423
Charges for services	366,000	369,987	3,987
Other revenues	<u>75,629</u>	<u>77,823</u>	<u>2,194</u>
Total revenues	<u>\$ 6,066,462</u>	<u>\$ 6,085,977</u>	<u>\$ 19,515</u>

Table A-5

Condensed Governmental Funds - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Public affairs	\$ 529,880	\$ 529,664	\$ (216)
Public finance	273,851	271,991	(1,860)
Public safety-police	1,705,311	1,755,571	50,260
Public safety-fire	1,519,107	1,559,791	40,684
Public safety-dispatch	499,155	497,319	(1,836)
Public works	589,204	595,793	6,589
Public sanitation	324,065	325,836	1,771
Public property	317,868	322,473	4,605
Code enforcement	17,183	17,237	54
Main street	35,945	36,522	577
Debt service	167,963	199,125	31,162
Capital outlay	<u>427,166</u>	<u>738,818</u>	<u>311,652</u>
Total	<u>\$ 6,406,698</u>	<u>\$ 6,850,140</u>	<u>\$ 443,442</u>

The City budgeted for a total of \$6,066,462 in revenues for 2019, but actual revenues totaled \$6,085,977. The City under budgeted revenues by \$19,515. A total of \$6,406,698 was budgeted for expenditures, but expenditures totaled \$6,850,140 for fiscal year 2019. The City was over budget on the expenses by \$443,442. This budget amount reflects the amended budget.

CAPITAL ASSETS

Table A-6 shows summary totals for a broad range of capital assets, including police equipment, buildings, land, street equipment and fire equipment and all of the equipment and materials involved in the operation of water and sewer utilities. Table A-6 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

Table A-6

Capital Assets at Year End Without Depreciation

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 2,744,627	\$ -	\$ 2,744,627
Construction in progress	225,966	66,249	292,215
Infrastructure	3,428,122	-	3,428,122
Building & improvements	2,258,194	-	2,258,194
Vehicles & equipment	3,070,883	575,994	3,646,877
Water & sewer system	<u>-</u>	<u>40,759,343</u>	<u>40,759,343</u>
Total capital assets	<u>\$ 11,727,792</u>	<u>\$ 41,401,586</u>	<u>\$ 53,129,378</u>

DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness.

Debt Outstanding at Year End

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Notes and Bonds Payable	\$ 208,916	\$ 7,535,205	\$ 7,744,121
Capital Leases Payable	<u>401,760</u>	<u>145,486</u>	<u>547,246</u>
Total Debt Outstanding	<u>\$ 610,676</u>	<u>\$ 7,680,691</u>	<u>\$ 8,291,367</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS

The City Commission considers many factors when setting the fiscal year budget. Some of the factors are the local economy, expected grant money and anticipated tax revenue and fees and utility services. With the continuation of the 4% regulatory fee on retail alcohol sales and the renewed/enacted 3% electric franchise fee, additional revenue was collected which helped the City maintain the level of services they provide to the residents. The City anticipates these revenues along with revenues from occupational license, net profits, insurance premium fees and property taxes to remain steady for the fiscal year ended June 30, 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jamie Hutchison, City Clerk/Finance Director, 141 East Pike Street, P. O. Box 67, Cynthiana, KY 41031.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		Total	2018 Total
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,397,204	\$ 91,977	\$ 1,489,181	\$ 1,705,105
Receivables, net	1,045,235	424,800	1,470,035	1,401,134
Internal balances	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Total current assets	<u>2,592,439</u>	<u>366,777</u>	<u>2,959,216</u>	<u>3,106,239</u>
Noncurrent assets				
Restricted cash and cash equivalents	148,804	589,730	738,534	1,058,873
Assets available for sale	529,098	-	529,098	723,016
Capital assets				
Construction in progress	225,966	66,249	292,215	129,208
Land and improvements	2,744,627	-	2,744,627	2,744,627
Depreciable infrastructure, net	2,304,401	-	2,304,401	2,083,306
Depreciable buildings, property, and equipment, net	<u>1,855,850</u>	<u>21,127,104</u>	<u>22,982,954</u>	<u>23,472,366</u>
Total noncurrent assets	<u>7,808,746</u>	<u>21,783,083</u>	<u>29,591,829</u>	<u>30,211,396</u>
Total assets	<u>10,401,185</u>	<u>22,149,860</u>	<u>32,551,045</u>	<u>33,317,635</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows- pension	1,976,604	444,744	2,421,348	2,965,131
Deferred outflows- OPEB	<u>838,061</u>	<u>177,789</u>	<u>1,015,850</u>	<u>1,269,311</u>
Total deferred outflows of resources	<u>2,814,665</u>	<u>622,533</u>	<u>3,437,198</u>	<u>4,234,442</u>
Total assets and deferred outflows of resources	<u>\$ 13,215,850</u>	<u>\$ 22,772,393</u>	<u>\$ 35,988,243</u>	<u>\$ 37,552,077</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 54,770	\$ 19,324	\$ 74,094	\$ 64,591
Construction payable	-	-	-	22,659
Accrued leave payable	22,409	10,078	32,487	-
Accrued payroll liabilities	105,720	25,677	131,397	139,624
Accrued interest payable	-	66,178	66,178	67,993
Unearned revenue	27,000	-	27,000	27,000
Customer deposits	-	56,400	56,400	56,325
Capital leases, current	71,284	25,653	96,937	36,417
Bonds and notes payable, current	<u>115,389</u>	<u>392,615</u>	<u>508,004</u>	<u>594,197</u>
Total current liabilities	<u>396,572</u>	<u>595,925</u>	<u>992,497</u>	<u>1,008,806</u>
Noncurrent liabilities				
Accrued leave payable	189,982	58,489	248,471	265,990
Capital leases, net of current portion	330,476	119,833	450,309	182,478
Bonds and notes payable, net of current portion	93,527	7,142,590	7,236,117	7,662,022
Net pension liability	7,734,222	1,821,398	9,555,620	9,234,530
Net OPEB liability	<u>2,226,108</u>	<u>580,266</u>	<u>2,806,374</u>	<u>3,331,390</u>
Total noncurrent liabilities	<u>10,574,315</u>	<u>9,722,576</u>	<u>20,296,891</u>	<u>20,676,410</u>
Total liabilities	<u>10,970,887</u>	<u>10,318,501</u>	<u>21,289,388</u>	<u>21,685,216</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows- pension	341,493	50,232	391,725	190,938
Deferred inflows- OPEB	<u>545,157</u>	<u>103,884</u>	<u>649,041</u>	<u>203,690</u>
Total deferred inflows of resources	<u>886,650</u>	<u>154,116</u>	<u>1,040,766</u>	<u>394,628</u>
NET POSITION				
Net investment in capital assets	6,520,168	13,512,662	20,032,830	19,931,734
Restricted for:				
Debt service	-	589,550	589,550	876,737
Other purposes	159,403	180	159,583	182,136
Unrestricted	<u>(5,321,258)</u>	<u>(1,802,616)</u>	<u>(7,123,874)</u>	<u>(5,518,374)</u>
Total net position	<u>1,358,313</u>	<u>12,299,776</u>	<u>13,658,089</u>	<u>15,472,233</u>
Total liabilities, deferred inflows of resource, and net position	<u>\$ 13,215,850</u>	<u>\$ 22,772,393</u>	<u>\$ 35,988,243</u>	<u>\$ 37,552,077</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			2018 Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
Public affairs	\$ 611,660	\$ -	\$ -	\$ -	\$ (611,660)	\$ -	\$ (611,660)	\$ (641,002)
Public finance	311,295	-	-	-	(311,295)	-	(311,295)	(297,339)
Public safety-police	2,285,475	-	196,528	-	(2,088,947)	-	(2,088,947)	(2,054,122)
Public safety-fire	2,046,766	-	98,716	-	(1,948,050)	-	(1,948,050)	(1,806,904)
Public safety-dispatch	596,552	-	553,166	-	(43,386)	-	(43,386)	(49,153)
Public works	798,450	-	-	130,839	(667,611)	-	(667,611)	(606,414)
Public property	323,279	-	-	-	(323,279)	-	(323,279)	(260,643)
Sanitation	325,836	369,987	-	-	44,151	-	44,151	62,419
Code enforcement	17,237	-	-	-	(17,237)	-	(17,237)	(26,440)
Main street	44,942	-	-	-	(44,942)	-	(44,942)	(44,935)
Interest on long-term debt	22,805	-	-	-	(22,805)	-	(22,805)	(11,137)
Total governmental activities	<u>7,384,297</u>	<u>369,987</u>	<u>848,410</u>	<u>130,839</u>	<u>(6,035,061)</u>	<u>-</u>	<u>(6,035,061)</u>	<u>(5,735,670)</u>
Business-type activities								
Water	2,240,551	1,732,467	-	-	-	(508,084)	(508,084)	(179,752)
Sewer	1,361,937	1,296,528	-	-	-	(65,409)	(65,409)	(128,854)
Total business-type activities	<u>3,602,488</u>	<u>3,028,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(573,493)</u>	<u>(573,493)</u>	<u>(308,606)</u>
Total primary government	<u>\$ 10,986,785</u>	<u>\$ 3,398,982</u>	<u>\$ 848,410</u>	<u>\$ 130,839</u>	<u>(6,035,061)</u>	<u>(573,493)</u>	<u>(6,608,554)</u>	<u>(6,044,276)</u>
General revenues								
Taxes:								
Property taxes, levied for general purposes					707,266	-	707,266	713,864
License fees:								
Franchise					283,607	-	283,607	312,498
Insurance premiums					664,992	-	664,992	640,196
Occupational					2,956,182	-	2,956,182	3,025,966
Reg fee/ retail alcohol					143,165	-	143,165	137,751
Other					34,545	-	34,545	30,263
Investment earnings					13,531	2,118	15,649	7,643
Miscellaneous					64,452	-	64,452	44,339
Total general revenues					4,867,740	2,118	4,869,858	4,912,520
(Loss) on sale of assets held for sale					(95,006)	-	(95,006)	(178,258)
Gain on disposal of capital assets					19,255	303	19,558	9,223
Change in net position					<u>(1,243,072)</u>	<u>(571,072)</u>	<u>(1,814,144)</u>	<u>(1,300,791)</u>
Net position-beginning of year					<u>2,601,385</u>	<u>12,870,848</u>	<u>15,472,233</u>	<u>16,773,024</u>
NET POSITION-ENDING					<u>\$ 1,358,313</u>	<u>\$ 12,299,776</u>	<u>\$ 13,658,089</u>	<u>\$ 15,472,233</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Municipal Road Aid	Total Governmental Funds	2018 Total
ASSETS				
Cash and cash equivalents	\$ 1,424,204	\$ 121,804	\$ 1,546,008	\$ 1,855,326
Receivables, net	924,695	10,599	935,294	927,921
Interest receivable	-	-	-	1,572
Other receivable	109,941	-	109,941	61,831
Due from other funds	150,000	-	150,000	161,457
Total assets	\$ 2,608,840	\$ 132,403	\$ 2,741,243	\$ 3,008,107
LIABILITIES				
Accounts payable	\$ 54,770	\$ -	\$ 54,770	\$ 33,114
Accrued leave payable	22,409	-	22,409	-
Accrued payroll liabilities	105,720	-	105,720	118,107
Unearned revenue	27,000	-	27,000	27,000
Total liabilities	209,899	-	209,899	178,221
FUND BALANCES				
Restricted				
Tourism	-	-	-	1,663
Grants	27,000	-	27,000	27,000
MRA	-	132,403	132,403	130,624
Assigned				
Fire truck reserve	10,191	-	10,191	10,000
Unassigned	2,361,750	-	2,361,750	2,660,599
Total fund balances	2,398,941	132,403	2,531,344	2,829,886
Total liabilities and fund balances	\$ 2,608,840	\$ 132,403	\$ 2,741,243	\$ 3,008,107

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

Fund balances reported above	\$ 2,531,344	\$ 2,829,886
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Capital assets used in governmental activities and assets held for sale are not financial resources and therefore are not reported in the funds.	7,659,942	7,389,699
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Long-term liabilities and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds.	(8,832,973)	(7,618,200)
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Net position of governmental activities	\$ 1,358,313	\$ 2,601,385
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The accompanying notes are an integral part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	<u>General</u>	<u>Municipal Road Aid</u>	<u>Total Governmental Funds</u>	<u>2018 Total</u>
REVENUES				
Taxes	\$ 707,266	\$ -	\$ 707,266	\$ 713,864
Licenses and permits	4,082,491	-	4,082,491	4,146,674
Intergovernmental	848,410	130,839	979,249	819,902
Charges for services	369,987	-	369,987	369,566
Other revenues	<u>77,823</u>	<u>160</u>	<u>77,983</u>	<u>50,470</u>
Total revenues	<u>6,085,977</u>	<u>130,999</u>	<u>6,216,976</u>	<u>6,100,476</u>
EXPENDITURES				
Current				
Public affairs	529,664	-	529,664	617,987
Public finance	271,991	-	271,991	260,758
Public safety-police	1,755,571	-	1,755,571	1,582,925
Public safety-fire	1,559,791	-	1,559,791	1,387,655
Public safety-dispatch	497,319	-	497,319	423,781
Public works	595,793	-	595,793	495,964
Public property	322,473	-	322,473	259,837
Sanitation	325,836	-	325,836	307,147
Code enforcement	17,237	-	17,237	26,440
Main street	36,522	-	36,522	35,464
Debt service	199,125	-	199,125	145,548
Capital outlay	<u>738,818</u>	<u>129,220</u>	<u>868,038</u>	<u>621,897</u>
Total expenditures	<u>6,850,140</u>	<u>129,220</u>	<u>6,979,360</u>	<u>6,165,403</u>
Excess (deficiency) of revenues over expenditures	<u>(764,163)</u>	<u>1,779</u>	<u>(762,384)</u>	<u>(64,927)</u>
Other financing sources:				
Proceeds from capital lease	340,182	-	340,182	132,568
Proceeds from note agreements	-	-	-	277,176
Proceeds from sale of assets held for sale	104,405	-	104,405	102,397
Proceeds from disposal of capital assets	<u>19,255</u>	<u>-</u>	<u>19,255</u>	<u>4,500</u>
Total other financing sources	<u>463,842</u>	<u>-</u>	<u>463,842</u>	<u>516,641</u>
Net change in fund balances	(300,321)	1,779	(298,542)	451,714
Fund balances-beginning	<u>2,699,262</u>	<u>130,624</u>	<u>2,829,886</u>	<u>2,378,172</u>
Fund balances-ending	<u>\$ 2,398,941</u>	<u>\$ 132,403</u>	<u>\$ 2,531,344</u>	<u>\$ 2,829,886</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ (298,542)	\$ 451,714
Add: capital outlay expenditures			868,038	621,897
Add: debt service expenditures			199,125	145,548
Add: gain on disposal of assets			19,255	4,500
Less: interest on long-term debt			(22,805)	(11,137)
Less: proceeds from capital lease			(340,182)	(132,568)
Less: proceeds from sale and disposal of assets			(123,660)	(106,897)
Less: loss on sale of assets held for sale			(95,006)	(178,258)
Less: proceeds from notes			-	(277,176)
Less: change in net pension liability			(904,756)	(897,000)
Less: change in net OPEB liability			(152,463)	(237,663)
Less: change in long-term accrued leave payable			6,309	(7,905)
Less: depreciation on governmental activities assets			<u>(398,385)</u>	<u>(373,475)</u>
Change in net position Governmental Activities			<u>\$ (1,243,072)</u>	<u>\$ (998,420)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

	Business-type Activities Water & Sewer Fund	2018 Total
ASSETS		
Current assets		
Cash and cash equivalents	\$ 91,977	\$ 9,066
Receivables, net	424,800	409,810
Total current assets	516,777	418,876
Noncurrent assets		
Restricted cash and cash equivalents	589,730	899,586
Capital assets		
Construction in progress	66,249	19,062
Vehicles and equipment	575,994	526,865
Utility systems	40,759,343	40,479,592
Less: accumulated depreciation	(20,208,233)	(19,262,695)
Total noncurrent assets	21,783,083	22,662,410
Total assets	22,299,860	23,081,286
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	444,744	514,009
Deferred outflows - OPEB	177,789	183,463
Total deferred outflows of resources	622,533	697,472
Total assets and deferred outflows of resources	\$ 22,922,393	\$ 23,778,758
LIABILITIES		
Current liabilities		
Accounts payable	\$ 19,324	\$ 31,477
Construction payable	-	22,659
Accrued payroll liabilities	25,677	21,517
Compensated absences	10,078	-
Accrued interest payable	66,178	67,993
Customer deposits	56,400	56,325
Capital leases, current	25,653	15,784
Bonds and notes payable, current	392,615	386,845
Due to other funds	150,000	161,457
Total current liabilities	745,925	764,057
Noncurrent liabilities		
Compensated absences	58,489	69,699
Capital leases, net of current portion	119,833	90,468
Bonds and notes payable, net of current portion	7,142,590	7,535,205
Net pension liability	1,821,398	1,704,015
Net OPEB liability	580,266	635,231
Total noncurrent liabilities	9,722,576	10,034,618
Total liabilities	10,468,501	10,798,675
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	50,232	75,976
Deferred inflows - OPEB	103,884	33,259
Total deferred inflows of resources	154,116	109,235
NET POSITION		
Net investment in capital assets	13,512,662	13,711,863
Restricted	589,730	899,586
Unrestricted	(1,802,616)	(1,740,601)
Total net position	12,299,776	12,870,848
Total liabilities and net position	\$ 22,922,393	\$ 23,778,758

The accompanying notes are an integral
part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
for the year ended June 30, 2019

	Business-type Activities	2018 Total
	Water & Sewer Fund	
Operating revenues		
Charges for services	\$ 2,934,976	\$ 2,892,623
Other revenues	94,019	53,924
Total operating revenues	3,028,995	2,946,547
Operating expenses		
Salaries and employee benefits	1,406,512	1,394,185
Material and supplies	62,644	100,136
Repairs and maintenance	314,248	228,093
Electricity	248,573	227,303
Chemicals	203,661	194,012
Other	223,883	214,315
Depreciation	957,453	910,924
Total operating expenses	3,416,974	3,268,968
Operating income (loss)	(387,979)	(322,421)
Nonoperating revenues (expenses)		
Investment earnings	2,118	1,512
Gain on disposal of capital assets	303	4,723
Grant revenue	-	3,000
Interest expense	(185,514)	(177,821)
Total nonoperating revenues (expenses)	(183,093)	(168,586)
Capital Contributions		
Debt principal forgiveness	-	188,636
Change in net position	(571,072)	(302,371)
Total net position-beginning	12,870,848	13,173,219
TOTAL NET POSITION-ENDING	\$ 12,299,776	\$ 12,870,848

The accompanying notes are an integral
part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
for the year ended June 30, 2019

	Business-Type Activities	2018 Total
	Water & Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,014,005	\$ 2,907,836
Payments to suppliers	(1,065,162)	(1,041,859)
Payments for employee services and benefits	(1,221,246)	(1,175,416)
Customer deposits received	2,472	3,565
Customer deposits returned	(2,397)	(2,215)
	<u>727,672</u>	<u>691,911</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in interfund loans	(11,457)	130,328
Grant revenue	-	3,000
	<u>(11,457)</u>	<u>133,328</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(349,597)	(941,379)
Proceeds from sale of capital assets	303	4,723
Principal paid on long-term debt	(408,655)	(370,703)
Proceeds from issuance of debt	-	754,539
Interest paid on long-term debt	(187,329)	(178,562)
	<u>(945,278)</u>	<u>(731,382)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,118	2,569
	<u>2,118</u>	<u>2,569</u>
Net (decrease) increase in cash and cash equivalents	(226,945)	96,426
Cash and cash equivalents - beginning of the year	908,652	812,226
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 681,707</u>	<u>\$ 908,652</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (387,979)	\$ (322,421)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	957,453	910,924
Net change in pension liability	160,904	166,607
Net change in OPEB liability	21,334	27,146
Change in assets and liabilities:		
Receivables, net	(14,990)	(38,711)
Customer deposits	75	1,350
Accounts and other payables	(12,153)	(78,000)
Accrued expenses	3,028	25,016
	<u>\$ 727,672</u>	<u>\$ 691,911</u>
Reconciliation of total cash and cash equivalents		
Current assets - cash and cash equivalents	\$ 91,977	\$ 9,066
Restricted assets - cash and cash equivalents	589,730	899,586
Total cash and cash equivalents	<u>\$ 681,707</u>	<u>\$ 908,652</u>
Schedule of non-cash activities		
Capital assets in construction payable	\$ -	\$ 22,659
Principal forgiven on long term debt	\$ -	\$ 188,636
Capital assets purchased with capital lease	<u>\$ 61,044</u>	<u>\$ 121,086</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cynthiana, Kentucky (the City) operates under the Mayor-Commission form of government and provides the following services as authorized by its charter: public affairs; public finance; public safety – police, fire and dispatch; public property; public works. The accounting policies of the City of Cynthiana conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The financial statements of the City of Cynthiana, Kentucky include the funds, account groups and entities over which the Mayor and Commission exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service.

The Cynthiana-Harrison County Recreation Board, the Harrison County Senior Citizens, the Harrison County Adult Activity Center, and the Cynthiana-Harrison County-Berry Joint Planning Board are not included in the reporting entity based on the application of these criteria. These potential component units have been appointed jointly by the area governments' governing bodies. These are independent units that select management staff, set user charges, establish budgets, and control all aspects of daily activities.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipients for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financials statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The following funds are used by the City of Cynthiana:

Governmental Funds

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, and general administration are reported in this fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The following special revenue fund is maintained by the City:

Municipal Road Aid Fund – A special revenue fund for the money received from the state to be used exclusively on road repair.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Proprietary funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City's proprietary operations include the following:

Water and Sewer Fund – This fund is used to account for the water and sewer services provided to residents of the City, the operations of which are financed by user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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 benefit items. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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 benefit terms. Investments are reported at fair value.

Net Position

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. At June 30, 2019 the City was over budget in public safety by \$89,108. The City was also over budget in capital outlay expenditures by \$311,652, which was offset by \$340,183 in capital lease proceeds which were approved by the Commission.

Other Accounting Policies

Accounts receivable from customers are stated less an allowance for doubtful accounts of \$0 in the proprietary fund.

Cash and cash equivalents - The City considers cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

Bond discounts and premiums recorded in the Water and Sewer Fund are capitalized in the year of issue and amortized over the life of the bonds using the straight-line method.

Unearned revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Accounting Policies (Continued)

Interfund balances – On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from/to other funds”. 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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Cynthiana.

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

Management’s Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 11, 2020, which represents the date these financials statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the city.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United State government, bonds or certifications of indebtedness of this state, and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year form the date of purchase.

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 the investment or collateral securities that are in the possession of an outside party. The City of Cynthiana's deposits and investments at June 30, 2019 were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The book balance of the City's deposits was \$2,227,715 and the bank balances totaled \$2,617,096. \$1,029,149 was covered by FDIC insurance and \$1,587,947 was collateralized by custodial banks.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. RECEIVABLES

Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Municipal Road Aid Fund	Water & Sewer Fund	Total
Taxes	\$ 11,198	\$ -	\$ -	\$ 11,198
Licenses, permits, billings	913,497	-	-	913,497
Intergovernmental	109,941	10,599	-	120,540
Customers	-	-	424,800	424,800
Other	-	-	-	-
Net receivables	<u>\$ 1,034,636</u>	<u>\$ 10,599</u>	<u>\$ 424,800</u>	<u>\$ 1,470,035</u>

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

<u>Governmental Activities</u>	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets not being depreciated:				
Land and improvements	\$ 2,744,627	\$ -	\$ -	\$ 2,744,627
Construction in progress	<u>110,146</u>	<u>170,695</u>	<u>(54,875)</u>	<u>225,966</u>
Total	<u>2,854,773</u>	<u>170,695</u>	<u>(54,875)</u>	<u>2,970,593</u>
Capital assets being depreciated:				
Buildings and improvements	2,237,098	21,096	-	2,258,194
Vehicles and equipment	<u>2,773,610</u>	<u>358,528</u>	<u>(61,255)</u>	<u>3,070,883</u>
Total	<u>5,010,708</u>	<u>379,624</u>	<u>(61,255)</u>	<u>5,329,077</u>
Total non-infrastructure assets	<u>7,865,481</u>	<u>550,319</u>	<u>(116,130)</u>	<u>8,299,670</u>
Infrastructure assets	<u>3,061,020</u>	<u>367,102</u>	<u>-</u>	<u>3,428,122</u>
Total capital assets	<u>10,926,501</u>	<u>917,421</u>	<u>(116,130)</u>	<u>11,727,792</u>
Less: accumulated depreciation:				
Buildings and improvements	1,008,270	79,496	-	1,087,766
Vehicles and equipment	2,273,834	172,882	(61,255)	2,385,461
Infrastructure assets	<u>977,714</u>	<u>146,007</u>	<u>-</u>	<u>1,123,721</u>
Total	<u>4,259,818</u>	<u>398,385</u>	<u>(61,255)</u>	<u>4,596,948</u>
Governmental activities capital assets, net	<u>\$ 6,666,683</u>	<u>\$ 519,036</u>	<u>\$ (54,875)</u>	<u>\$ 7,130,844</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities:</u>	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Construction in progress	\$ 19,062	\$ 74,869	\$ (27,682)	\$ 66,249
Equipment and vehicles	526,865	61,044	(11,915)	575,994
Water system	16,008,902	244,751	-	16,253,653
Sewer system	<u>24,470,690</u>	<u>35,000</u>	<u>-</u>	<u>24,505,690</u>
Total capital assets	41,025,519	415,664	(39,597)	41,401,586
Less: accumulated depreciation	<u>19,262,695</u>	<u>957,453</u>	<u>(11,915)</u>	<u>20,208,233</u>
Capital assets, net	<u>\$ 21,762,824</u>	<u>\$ (541,789)</u>	<u>\$ (27,682)</u>	<u>\$ 21,193,353</u>

Depreciation expense was charged to the governmental functions as follows:

Public affairs	\$ 81,996
Public safety - police	89,308
Public safety - fire	58,119
Public works	168,156
Public property	<u>806</u>
Total	<u>\$ 398,385</u>

Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	20-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles, furniture and equipment	5-10 years

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT

Notes payable

In September 2014, the City partially financed a fire truck for \$229,800. The loan is for 120 months at a rate of interest of 2.14%. The fire truck, which as of June 30, 2019, had a net book value of \$159,446, is collateral on the loan. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 23,310	\$ 2,314	\$ 25,624
2021	23,813	1,811	25,624
2022	24,326	1,298	25,624
2023	24,851	773	25,624
2024	<u>20,536</u>	<u>237</u>	<u>20,773</u>
	<u>\$ 116,836</u>	<u>\$ 6,433</u>	<u>\$ 123,269</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)

Notes payable, continued

In September 2017, the City entered into promissory note agreements totaling \$277,176 to finance the construction of three homes, as part of the Westside Redevelopment Project. The loans are for 12 months at a rate of interest of 2.00%, originally maturing in September 2018. The City paid off a portion of the notes and received an extension on the maturity date for the remainder to June 18, 2020. At June 30, 2019, the notes had a principal balance of \$92,080.

Capital lease obligations

During 2019 and 2018, the City entered into agreements with a fleet management service to lease various vehicles. These lease agreements qualify as capital leases for accounting purposes and have been recorded as assets and liabilities at the present value of the future minimum lease payments as of the date of the lease inception.

Depreciation expense charged to governmental activity capital lease obligations during 2019 and 2018, totaled \$52,921 and \$27,437, respectively. The following represents the gross amount of assets recorded under capital lease obligations by governmental function:

	Initial Lease Value	Accumulated Depreciation	Net Book Value June 30, 2019
Police	\$ 472,750	\$ 80,358	\$ 392,392

The annual obligation requirements to maturity for all capital leases are as follows:

Year Ended	Principal	Interest	Total
2020	\$ 71,284	\$ 31,561	\$ 102,845
2021	79,451	23,394	102,845
2022	87,618	15,227	102,845
2023	84,861	7,669	92,530
2024	<u>78,546</u>	<u>1,853</u>	<u>80,399</u>
Total	<u>\$ 401,760</u>	<u>\$ 79,704</u>	<u>\$ 481,464</u>

Changes in long-term debt

The following is a summary of the City's long-term debt transactions for the year:

	July 1, 2018	Additions	Retirements	June 30, 2019	Current Portion
Notes payable	\$ 334,169	\$ -	\$ (125,253)	\$ 208,916	\$ 115,389
Capital lease payable	112,643	340,183	(51,066)	401,760	71,284
Accrued leave	196,291	-	(6,309)	189,982	-
Net pension liability	7,530,515	203,707	-	7,734,222	-
Net OPEB liability	<u>2,696,159</u>	<u>-</u>	<u>(470,051)</u>	<u>2,226,108</u>	<u>-</u>
Total	<u>\$ 10,869,777</u>	<u>\$ 543,890</u>	<u>\$ (652,679)</u>	<u>\$ 10,760,988</u>	<u>\$ 186,673</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

Bonds and notes payable

The June 30, 2019 summary of bonds and notes payable of the Water and Sewer Fund is as follows:

	Amount Issued	Interest Rate	Balance Outstanding 7/01/18	Issued (Retired) During Year	Balance Outstanding 6/30/19
2015 Series	\$ 3,590,000	2.5%	\$ 3,538,000	\$ (53,500)	\$ 3,484,500
2005 Series	\$ 900,000	4.125%	770,000	(15,000)	755,000
KIA Loan	\$ 5,887,374	1.00%	2,839,847	(286,417)	2,553,430
2000 Series	\$ 270,000	4.75%	208,300	(5,600)	202,700
KIA Loan	\$ 754,539	0.75%	<u>565,903</u>	<u>(26,328)</u>	<u>539,575</u>
			<u>\$ 7,922,050</u>	<u>\$ (386,845)</u>	<u>\$ 7,535,205</u>

Revenue Bonds Payable at June 30, 2019, is comprised of the following individual issues:

Original issue \$270,000 Series 2000 Water System Revenue Bonds due in annual installments of \$2,700 to \$14,200 through January 1, 2040; interest rate is 4.75%. Net revenue bonds payable balance at June 30, 2019, is \$202,700.

Original issue \$900,000 Series 2005 Water and Sewer Revenue Bonds due in annual installments of \$17,000 to \$28,000 through 2033; interest rate is variable from 4.125%. Net revenue bonds payable balance at June 30, 2019, is \$755,000.

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the Water and Sewer System.

The KIA Fund A Loan was originally issued in several draws totaling \$5,887,374. The loan was for the wastewater treatment plant. The loan carries a 1% rate of interest and had an outstanding balance totaling \$2,553,430 at June 30, 2019.

The Series 2015 Water and Sewer Revenue Bonds original issue was \$3,590,000. It is due in annual installments of \$52,000 to \$153,500 through 2055; interest rate is 2.5%. Net revenue bonds payable balance at June 30, 2019 is \$3,484,500.

The KIA Loan was issued in 2018 with draws totaling \$754,539. Principal forgiveness of \$188,636 was applied to the loan, leaving a balance of \$565,903. The balance is to be paid off in semiannual installments of \$15,262 through 2038. The loan carries an interest rate of .75% and had an outstanding balance of \$539,575 at June 30, 2019.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 1.20 times the maximum annual debt service requirements.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)

Bonds and notes payable, continued

Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 392,615	\$ 156,695	\$ 549,310
2021	398,614	151,285	549,899
2022	403,944	145,747	549,691
2023	409,906	140,118	550,024
2024	416,497	134,365	550,862
2025-2029	1,707,566	583,020	2,290,586
2030-2034	725,305	475,660	1,200,965
2035-2039	809,558	373,960	1,183,518
2040-2044	752,200	261,231	1,013,431
2045-2049	656,000	156,524	812,524
2050-2054	709,500	73,463	782,963
2055	<u>153,500</u>	<u>3,835</u>	<u>157,335</u>
	<u>\$ 7,535,205</u>	<u>\$ 2,655,903</u>	<u>\$10,191,108</u>

Capital lease obligations

During 2019 and 2018, the City entered into agreements with a fleet management service to lease various vehicles. These lease agreements qualify as capital leases for accounting purposes and have been recorded as assets and liabilities at the present value of the future minimum lease payments as of the date of the lease inception.

Depreciation expense charged to business-type activity capital lease obligations during 2019 and 2018 totaled \$35,407 and \$18,888, respectively. The following represents the gross amount of assets recorded under capital lease obligations by business-type function:

	Initial Lease Value	Accumulated Depreciation	Net Book Value June 30, 2019
Water	\$ 125,102	\$ 37,783	\$ 87,319
Sewer	<u>57,022</u>	<u>16,512</u>	<u>40,510</u>
Total	<u>\$ 182,124</u>	<u>\$ 54,295</u>	<u>\$ 127,829</u>

The annual obligation requirements to maturity for all capital leases are as follows:

Year Ended	Principal	Interest	Total
2020	\$ 25,653	\$ 13,711	\$ 39,364
2021	29,092	10,271	39,363
2022	45,851	6,832	52,683
2023	28,242	2,505	30,747
2024	<u>16,648</u>	<u>89</u>	<u>16,737</u>
Total	<u>\$ 145,486</u>	<u>\$ 33,408</u>	<u>\$ 178,894</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)

Changes in long term debt

The following is a summary of the City's long-term debt transactions for the year:

	July 1, 2018	Additions	Retirements	June 30, 2019	Current Portion
Bonds and Notes	\$ 7,922,050	\$ -	\$ (386,845)	\$ 7,535,205	\$ 392,615
Capital lease payable	106,252	61,044	(21,810)	145,486	25,653
Accrued leave	69,699	-	(11,210)	58,489	-
Net pension liability	1,704,015	117,383	-	1,821,398	-
Net OPEB liability	<u>635,231</u>	<u>-</u>	<u>(54,965)</u>	<u>580,266</u>	<u>-</u>
Total	<u>\$ 10,437,247</u>	<u>\$ 178,427</u>	<u>\$ (474,830)</u>	<u>\$ 10,140,844</u>	<u>\$ 418,268</u>

7. RETIREMENT PLAN

The City is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2019, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The 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 basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications and 35.34% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications and 24.87% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2019, the City contributed \$232,958 or 100% of the required contribution for non-hazardous job classifications, and \$397,599, for the year ended June 30, 2019, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
<u>\$ 9,555,620</u>	<u>\$ 3,312,639</u>	<u>\$ 6,242,981</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was as follows:

Non-hazardous	Hazardous
.0544%	.2581%

The proportionate share at June 30, 2018 increased .0014% for non-hazardous and decreased .0161% for hazardous compared to the proportionate share as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,672,015. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 604,885	\$ 48,490
Changes of assumptions	988,285	-
Net difference between projected and actual earnings on Plan Investments	-	110,139
Changes in proportion and differences between City contributions and proportionate share of contributions	221,823	233,096
City contributions subsequent to the measurement date	<u>606,355</u>	<u>-</u>
Total	<u>\$ 2,421,348</u>	<u>\$ 391,725</u>

The \$606,355 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Contributions exclude \$24,202 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ 1,068,584
2021	\$ 490,372
2022	\$ (89,717)
2023	\$ (45,971)

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

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

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Non-hazardous			Hazardous		
		City's proportionate share of net pension liability			City's proportionate share of net pension liability	
	Discount rate		Discount rate			
1% decrease	5.25%	\$ 4,170,269	5.25%	\$ 7,822,044		
Current discount rate	6.25%	\$ 3,312,639	6.25%	\$ 6,242,981		
1% increase	7.25%	\$ 2,594,095	7.25%	\$ 4,937,587		

Payable to the Pension Plan – At June 30, 2019, the City reported a payable of \$93,493 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 7, the City participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2019, the City contributed \$75,546, or 100% of the required contribution for non-hazardous job classifications, and \$167,432, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net			
OPEB Liability	Non-hazardous	Hazardous	
\$ 2,806,374	\$ 965,684	\$ 1,840,690	

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was as follows:

Non-hazardous	Hazardous
.0544%	.2582%

The proportionate share at June 30, 2018 increased .0014% for non-hazardous and decreased .0161% for hazardous compared to the proportionate share as of June 30, 2017.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2019, the City recognized OPEB expense of \$415,697. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 318,241
Changes of assumptions	757,718	7,266
Net difference between projected and actual earnings on Plan investments	-	241,507
Changes in proportion and differences between City contributions and proportionate share of contributions	16,231	82,027
City contributions subsequent to the measurement date	<u>241,901</u>	<u>-</u>
Total	<u>\$ 1,015,850</u>	<u>\$ 649,041</u>

The \$241,901 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Contributions exclude \$9,326 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$8,249, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,			
2020	\$	93,959	
2021	\$	93,958	
2022	\$	(7,634)	
2023	\$	(44,134)	
2024	\$	(5,803)	
2025	\$	(5,438)	

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

Non-hazardous and Hazardous

Inflation	2.30%	
Salary increases	3.05%, average, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	
Healthcare trend		
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.	

Mortality rates were based on the 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 (setback 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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 1,254,268	4.97%	\$ 2,558,650
Current discount rate	5.85%	\$ 965,684	5.97%	\$ 1,840,690
1% increase	6.85%	\$ 719,862	6.97%	\$ 1,265,945

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous		Hazardous	
		City's proportionate share of net OPEB liability		City's proportionate share of net OPEB liability
1% decrease		\$ 718,961		\$ 1,253,599
Current trend rate		\$ 965,684		\$ 1,840,690
1% increase		\$ 1,256,499		\$ 2,567,827

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

9. DEFERRED COMPENSATION PLAN

The City of Cynthiana also provides its employees a deferred compensation plan. All employees can choose to voluntarily participate in the plan. Employees may contribute up to the federal limitations. The City does not provide any contributions to these plans.

10. RISK MANAGEMENT

The City of Cynthiana is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2019 were levied in September 2018, on the assessed property located in the City of Cynthiana as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.020
1. Due date for payment	Upon receipt
2. Face value payment period	To November 30
3. Past due date, 20% penalty	December 1
4. Interest charge	1.0% per month effective January 1

Vehicle taxes are collected by the County Clerk of Harrison County and are due and collected in the birth month of the vehicle's licensee.

12. WESTSIDE DEVELOPMENT PROJECT

The City initiated a redevelopment project in the fiscal year ended June 30, 2009. The project was funded by a Community Development Block Grant that will total \$1,000,000 at the end of the project. The project required the City to pay for acquisition and clearance costs of land designated as the Westside Redevelopment area, and the City is to build houses on this land to be sold to low-and moderate-income persons. The total costs associated with the project for parcels that have not yet been sold, are classified as assets available for sale on the financial statements. An analysis of activity for the fiscal year ended June 30, 2019 is as follows:

	Balance	Additions	Deletions	Balance
	July 1, 2018			June 30, 2019
Assets available for sale	<u>\$ 723,016</u>	<u>\$ 5,493</u>	<u>\$ (199,411)</u>	<u>\$ 529,098</u>

During 2019, the City sold one home that was developed during 2018. After year end, the City built homes on three parcels of land.

13. LOAN RECEIVABLE

The City has forgivable loan agreements related to the sale of two properties for the Westside Redevelopment Project described in note 12. The loans were made with home buyers in 2018 and 2019 and were to be applied to the down payment and closing costs on the sale of the homes. The term of the loans are ten years and the funds are subject to recapture if the property is sold or conveyed by the purchasers within ten years from the date of purchase. Ten percent of the loan balances is forgiven each year for the remaining term of the loans. The principal balance of the loan receivable and the allowance for uncollectible loans as of June 30, 2019 was \$54,000.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

14. COMMITMENTS AND CONTINGENCIES

During fiscal year 2016, the City received notice of a potential liability with the Kentucky Department of Local Government relating to the Westside Development Project discussed in Note 12. All grant requirements for this project have not been met to date and the City had until December 31, 2017 to satisfy all of the respective requirements. The City has received multiple extensions for project completion. During 2019, the City received an additional extension for the project completion date from December 31, 2019 to December 31, 2020. If the City fails to satisfy these requirements, it could face a potential liability of up to \$1,200,000 in repayment of all grants funds received for this project. The City is currently focusing their resources on meeting all pending requirements for the project by the deadline. The pending requirements of the project require the City to redevelop nine plots of land that will be leased to relocate and solicit nine eligible low-to-moderate income households to receive assistance.

15. JOINT VENTURE

The City entered into a joint venture with Harrison County to form a public properties corporation to construct a community service center project. The public properties corporation has title to property that is leased to the Community Service Center of Harrison County, Inc. The public properties corporation also obtained a loan in the amount of \$499,000 to finance the construction of the community service center in addition to funds from the Community Service Center of Harrison County, Inc. and a grant of \$350,000. The note is repaid from lease payments obtained for use of the building. The City's equity interest is reported in the capital assets of the City, totaling \$249,531 at June 30, 2019.

16. SUBSEQUENT EVENT

In early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions on travel and in-person meetings could result in a reduction of business conducted in the City and could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Six Fiscal Years**

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.0582%	0.0582%	0.0544%	0.0512%	0.0530%	0.0544%
City's proportionate share of the net pension liability (asset)	\$ 2,142,224	\$ 1,888,670	\$ 2,340,926	\$ 2,520,568	\$ 3,100,673	\$ 3,312,639
City's covered employee payroll	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	149.29%	134.07%	177.24%	195.58%	228.23%	234.42%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Six Fiscal Years**

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.2487%	0.2487%	0.2406%	0.2542%	0.2742%	0.2581%
City's proportionate share of the net pension liability (asset)	\$ 3,323,154	\$ 2,989,338	\$ 3,693,014	\$ 4,362,032	\$ 6,133,857	\$ 6,242,981
City's covered employee payroll	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	272.20%	243.32%	300.08%	330.78%	407.09%	431.40%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 160,987	\$ 193,554	\$ 168,402	\$ 160,062	\$ 189,517	\$ 204,617	\$ 232,958
Contributions relative to contractually required employer contribution	<u>160,987</u>	<u>193,554</u>	<u>168,402</u>	<u>160,062</u>	<u>189,517</u>	<u>204,617</u>	<u>232,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240
Employer contributions as a percentage of covered-employee payroll	11.22%	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 245,390	\$ 253,286	\$ 255,121	\$ 267,170	\$ 327,116	\$ 321,265	\$ 397,599
Contributions relative to contractually required employer contribution	<u>245,390</u>	<u>253,286</u>	<u>255,121</u>	<u>267,170</u>	<u>327,116</u>	<u>321,265</u>	<u>397,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824
Employer contributions as a percentage of covered-employee payroll	20.10%	20.62%	20.73%	20.26%	21.71%	22.20%	24.44%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
 Last Three Fiscal Years**

	2017	2018	2019
City's proportion of the net OPEB liability	0.0530%	0.0530%	0.0544%
City's proportionate share of the net OPEB liability (asset)	\$ 835,306	\$ 1,064,938	\$ 965,684
City's covered employee payroll	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	64.82%	78.39%	68.34%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Three Fiscal Years**

	2017	2018	2019
City's proportion of the net OPEB liability	0.2742%	0.2742%	0.2582%
City's proportionate share of the net OPEB liability (asset)	\$ 1,354,288	\$ 2,266,452	\$ 1,840,690
City's covered employee payroll	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	102.70%	150.42%	127.20%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 88,402	\$ 72,547	\$ 64,984	\$ 59,798	\$ 64,259	\$ 66,416	\$ 75,546
Contributions relative to contractually required employer contribution	<u>88,402</u>	<u>72,547</u>	<u>64,984</u>	<u>59,798</u>	<u>64,259</u>	<u>66,416</u>	<u>75,546</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240
Employer contributions as a percentage of covered-employee payroll	6.16%	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS- HAZARDOUS
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 213,648	\$ 162,070	\$ 167,127	\$ 167,344	\$ 140,881	\$ 135,307	\$ 167,432
Contributions relative to contractually required employer contribution	<u>213,648</u>	<u>162,070</u>	<u>167,127</u>	<u>167,344</u>	<u>140,881</u>	<u>135,307</u>	<u>167,432</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824
Employer contributions as a percentage of covered-employee payroll	17.50%	13.19%	13.58%	12.69%	9.35%	9.35%	10.29%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
Property taxes				
Real estate and tangible	\$ 526,000	\$ 515,000	\$ 516,619	\$ 1,619
Public service companies	66,000	54,000	53,116	(884)
Bank shares	60,000	55,204	55,204	-
Payment in lieu of taxes	8,100	7,905	7,905	-
Penalties	10,000	7,800	8,143	343
Motor vehicle	50,000	51,285	53,059	1,774
Real estate and tangible prior year	<u>16,000</u>	<u>15,800</u>	<u>13,220</u>	<u>(2,580)</u>
	<u>736,100</u>	<u>706,994</u>	<u>707,266</u>	<u>272</u>
Licenses, permits and billings				
Occupational license fees	2,600,000	2,624,400	2,653,514	29,114
Occupational license net profits fees	532,000	310,000	302,668	(7,332)
Privilege license fees	3,500	2,820	3,140	320
Liquor and beer licenses	16,500	18,240	18,240	-
Insurance premium license fees	605,000	670,000	664,992	(5,008)
Residential rental licenses	10,000	9,580	9,580	-
Utility franchise licenses	315,000	299,812	283,607	(16,205)
Reg fee/ retail alcohol	140,000	139,000	143,165	4,165
Tourism license fee	<u>3,000</u>	<u>3,000</u>	<u>3,585</u>	<u>585</u>
	<u>4,225,000</u>	<u>4,076,852</u>	<u>4,082,491</u>	<u>5,639</u>
Intergovernmental revenue				
Police incentive pay	102,800	92,415	93,166	751
Fire incentive pay	102,800	104,058	98,716	(5,342)
E-911 reimbursement	563,000	548,304	553,166	4,862
Other grants	<u>159,300</u>	<u>96,210</u>	<u>103,362</u>	<u>7,152</u>
	<u>927,900</u>	<u>840,987</u>	<u>848,410</u>	<u>7,423</u>
Charges for service				
Sanitation fees	<u>370,000</u>	<u>366,000</u>	<u>369,987</u>	<u>3,987</u>
Other revenues				
Parking tickets	100	104	104	-
Interest income	9,150	13,000	13,371	371
Miscellaneous	<u>36,450</u>	<u>62,525</u>	<u>64,348</u>	<u>1,823</u>
	<u>45,700</u>	<u>75,629</u>	<u>77,823</u>	<u>2,194</u>
TOTAL REVENUES	<u>\$ 6,304,700</u>	<u>\$ 6,066,462</u>	<u>\$ 6,085,977</u>	<u>\$ 19,515</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC AFFAIRS				
Mayor's salary	\$ 23,203	\$ 23,203	\$ 22,126	\$ (1,077)
City attorney expense	17,400	17,400	17,400	-
Other legal expenses	2,000	4,842	4,773	(69)
Other professional services	3,000	-	-	-
Medical and hospital insurance	31,500	28,350	28,110	(240)
Social security	3,000	3,000	3,024	24
Workers' compensation	200	200	200	-
City picnic	3,500	3,652	3,652	-
Telephone	2,000	1,300	1,707	407
Website	400	153	153	-
Office supplies	1,200	1,170	1,442	272
Travel and training	1,400	559	558	(1)
Publishing	6,000	4,800	7,992	3,192
Membership dues	2,000	1,973	1,973	-
Regional cable commission dues	1,000	-	-	-
Bluegrass Area Development District	1,207	1,207	1,207	-
Mayor and commissioners' bond	3,000	5,500	5,496	(4)
Public officials liability insurance	9,000	9,000	9,000	-
Emergency management agency	6,615	6,615	6,615	-
Recreation board operations	106,845	114,950	106,845	(8,105)
Senior citizens	20,000	20,000	20,000	-
CEO	9,000	9,000	9,000	-
EDA	36,000	36,000	36,000	-
Comprehensive care center	2,500	2,500	2,500	-
Joint planning	68,148	71,460	71,460	-
Airport board	5,000	5,000	5,000	-
Chamber of commerce	10,000	10,890	10,970	80
Fireworks	6,000	6,000	5,500	(500)
Rape crisis center	10,000	10,000	10,000	-
Tourism funding	10,000	9,500	9,414	(86)
Cynthiana-Harrison county museum	6,700	6,800	6,911	111
Humane society	1,000	1,000	1,000	-
Miscellaneous	53,200	56,193	61,973	5,780
CDBG westside redevelopment	170,980	27,000	27,000	-
E-911 share	122,650	30,663	30,663	-
Total public affairs	<u>755,648</u>	<u>529,880</u>	<u>529,664</u>	<u>(216)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC FINANCE				
Commissioner salary	\$ 10,500	\$ 10,050	\$ 10,050	\$ -
Salaries	92,000	94,234	95,722	1,488
Overtime and holiday pay	500	500	278	(222)
Longevity pay	2,745	1,814	1,815	1
Retirement	21,000	20,111	20,035	(76)
Medical and hospital insurance	41,200	40,652	40,404	(248)
Social security	7,755	7,410	7,418	8
Workers' compensation	1,000	1,200	1,200	-
Employee assistance program	2,000	-	-	-
HR incentives	12,000	10,000	8,588	(1,412)
Employee training	3,000	500	500	-
Telephone	4,000	3,900	4,205	305
Insurance and fees	9,000	8,611	8,612	1
City auditor	8,000	8,750	8,750	-
Office supplies	11,000	10,000	8,908	(1,092)
Training	300	185	90	(95)
Computer lease	3,000	2,400	2,460	60
Computer maintenance	10,000	10,351	10,351	-
Ordinance update	6,000	4,643	4,643	-
Clothing allowance	1,000	1,000	961	(39)
Miscellaneous	22,300	18,540	18,794	254
Tax assessment and bills	<u>19,500</u>	<u>19,000</u>	<u>18,207</u>	<u>(793)</u>
 Total public finance	 <u>287,800</u>	 <u>273,851</u>	 <u>271,991</u>	 <u>(1,860)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-POLICE				
Commissioner salary	\$ 10,500	\$ 10,050	\$ 10,050	\$ -
Policemen salaries	675,000	636,594	663,542	26,948
Police clerk / typist	30,800	42,100	43,964	1,864
Overtime pay	65,000	85,049	84,079	(970)
Holiday pay	27,000	22,624	22,624	-
Longevity pay	7,800	8,195	8,195	-
Policemen incentive pay	76,000	65,500	65,164	(336)
Employee retirement	308,000	297,908	299,473	1,565
Medical and hospital insurance	151,000	160,776	154,632	(6,144)
Social security	62,000	65,100	68,102	3,002
Workers' compensation	50,000	54,667	54,667	-
Police projects	10,500	16,717	16,717	-
Medical exams / hospital expense	500	-	-	-
Telephone	14,000	13,275	15,270	1,995
Insurance	65,000	71,040	71,039	(1)
Gas and oil	34,000	38,900	38,891	(9)
Supplies	12,000	13,000	20,701	7,701
Training ammunition	6,000	5,900	5,885	(15)
Training	10,000	7,280	8,121	841
Copier lease	1,700	2,300	2,680	380
Uniforms and body armor	9,500	12,000	10,551	(1,449)
Maintenance and repairs	16,200	30,935	17,692	(13,243)
Membership fees	2,500	4,400	4,447	47
Miscellaneous	7,600	5,860	10,458	4,598
Equipment	52,000	35,141	58,627	23,486
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety-police	<u>1,704,600</u>	<u>1,705,311</u>	<u>1,755,571</u>	<u>50,260</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-FIRE				
Firemen salaries	\$ 664,000	582,300	603,149	\$ 20,849
Holiday pay	23,000	21,190	21,190	-
Overtime pay	55,000	95,000	98,553	3,553
Firemen incentive pay	76,000	76,369	76,339	(30)
Longevity pay	13,480	19,005	19,684	679
Employee retirement	288,000	281,100	284,987	3,887
Medical and hospital insurance	211,000	215,727	232,549	16,822
Social security	57,441	58,125	60,985	2,860
Workers' compensation	44,000	48,574	48,573	(1)
Telephone	5,000	4,200	4,322	122
Insurance for vehicles	30,000	29,000	29,000	-
Gas and oil	7,500	9,625	9,625	-
Supplies	30,000	11,500	8,036	(3,464)
Firefighting protective clothing	12,000	14,587	16,704	2,117
Travel and training	4,000	3,404	2,764	(640)
Training material	3,000	1,684	2,620	936
Fire prevention program materials	5,000	3,400	3,358	(42)
Uniforms	8,500	8,400	7,917	(483)
Maintenance and repairs	33,000	9,575	7,739	(1,836)
Membership fees	300	266	267	1
Equipment and tools	40,500	24,395	17,816	(6,579)
Miscellaneous	<u>4,000</u>	<u>1,681</u>	<u>3,614</u>	<u>1,933</u>
Total public safety-fire	<u>1,614,721</u>	<u>1,519,107</u>	<u>1,559,791</u>	<u>40,684</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-DISPATCH				
Radio operator salary	\$ 344,000	\$ 274,008	\$ 273,542	\$ (466)
Overtime pay	30,000	45,625	44,647	(978)
Holiday pay	13,000	6,910	6,910	-
Longevity pay	2,500	1,912	1,913	1
Employee retirement	76,000	66,742	67,021	279
Medical and hospital insurance	65,000	63,157	63,971	814
Social security	24,000	24,605	24,599	(6)
Workers' compensation	2,000	2,416	2,416	-
Telephone	1,475	1,300	1,200	(100)
Supplies	2,500	5,000	4,951	(49)
Utilities	5,500	5,000	3,673	(1,327)
Miscellaneous	<u>1,550</u>	<u>2,480</u>	<u>2,476</u>	<u>(4)</u>
Total dispatch	<u>567,525</u>	<u>499,155</u>	<u>497,319</u>	<u>(1,836)</u>
Total public safety	<u>3,886,846</u>	<u>3,723,573</u>	<u>3,812,681</u>	<u>89,108</u>
PUBLIC WORKS				
Commissioner salary	10,500	10,050	10,050	-
Salaries	187,000	192,530	199,074	6,544
Overtime and holiday pay	7,000	3,400	3,327	(73)
Longevity pay	5,100	6,320	6,321	1
Employee retirement	43,000	42,058	40,241	(1,817)
Medical and hospital insurance	66,300	67,984	67,424	(560)
Social security	14,860	16,109	16,012	(97)
Worker's compensation	20,000	21,000	21,000	-
Telephone	1,750	2,750	2,879	129
Insurance	30,000	33,750	33,750	-
Gas and oil	10,000	12,479	12,923	444
Supplies	10,000	16,000	16,858	858
Rental equipment	1,500	355	355	-
Training	2,000	1,571	1,571	-
Clothing allowance	6,500	5,500	5,656	156
Truck repairs	8,000	8,045	6,574	(1,471)
Leaf vacuum machine repairs	6,000	2,900	4,261	1,361
Backhoe repair	2,500	2,724	3,333	609
Miscellaneous repairs	71,000	132,719	132,959	240
Street signs	3,500	1,554	1,819	265
Miscellaneous	15,200	-	-	-
Salt	<u>12,000</u>	<u>9,406</u>	<u>9,406</u>	<u>-</u>
Total public works	<u>533,710</u>	<u>589,204</u>	<u>595,793</u>	<u>6,589</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SANITATION				
Contract garbage service	\$ 300,000	\$ 324,065	\$ 325,836	\$ 1,771
Total public sanitation	<u>300,000</u>	<u>324,065</u>	<u>325,836</u>	<u>1,771</u>
PUBLIC PROPERTY				
Insurance	18,000	18,000	18,157	157
Gas and oil	500	98	98	-
Supplies	30,000	41,000	39,496	(1,504)
Contract cleaning	18,200	18,200	18,900	700
Parking lot fees	1,150	2,300	2,300	-
Install and remove decorations	1,200	1,316	1,316	-
Utilities	190,500	200,104	205,427	5,323
Miscellaneous	<u>280,000</u>	<u>36,850</u>	<u>36,779</u>	<u>(71)</u>
Total public property	<u>539,550</u>	<u>317,868</u>	<u>322,473</u>	<u>4,605</u>
CODE ENFORCEMENT				
Telephone	-	1,350	1,405	55
Insurance	1,000	1,008	1,008	-
Supplies	1,000	-	-	-
Miscellaneous	<u>10,600</u>	<u>14,825</u>	<u>14,824</u>	<u>(1)</u>
Total code enforcement	<u>12,600</u>	<u>17,183</u>	<u>17,237</u>	<u>54</u>
MAIN STREET				
Salaries	26,100	25,294	26,437	1,143
Social security	2,016	2,017	2,022	5
Workers' compensation	55	-	-	-
Telephone	1,000	1,300	1,183	(117)
Insurance	1,100	1,165	1,165	-
Retirement	7,500	5,669	5,679	10
Supplies	<u>1,000</u>	<u>500</u>	<u>36</u>	<u>(464)</u>
Total main street	<u>38,771</u>	<u>35,945</u>	<u>36,522</u>	<u>577</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
Debt Service				
Public safety - police	\$ 42,000	\$ 55,824	\$ 70,579	\$ 14,755
Public safety - fire	25,624	19,467	35,874	16,407
Public properties	<u>187,430</u>	<u>92,672</u>	<u>92,672</u>	<u>-</u>
 Total debt service	 <u>255,054</u>	 <u>167,963</u>	 <u>199,125</u>	 <u>31,162</u>
Capital Outlay				
Public safety - police	21,000	36,718	358,528	321,810
Public safety - fire	50,000	-	-	-
Public works	125,000	91,000	65,866	(25,134)
Public properties	<u>980,000</u>	<u>299,448</u>	<u>314,424</u>	<u>14,976</u>
 Total capital outlay	 <u>1,176,000</u>	 <u>427,166</u>	 <u>738,818</u>	 <u>311,652</u>
TOTAL EXPENDITURES	 <u>7,785,979</u>	 <u>6,406,698</u>	 <u>6,850,140</u>	 <u>443,442</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (1,481,279)	 (340,236)	 (764,163)	 (423,927)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	825,000	-	340,182	340,182
Proceeds from note agreements	210,000	-	-	-
Proceeds from sale of assets held for sale	420,000	104,405	104,405	-
Proceeds from disposal of capital assets	<u>-</u>	<u>14,742</u>	<u>19,255</u>	<u>4,513</u>
TOTAL OTHER FINANCING SOURCES (USES)	 <u>1,455,000</u>	 <u>119,147</u>	 <u>463,842</u>	 <u>344,695</u>
NET CHANGE IN FUND BALANCE	 <u>\$ (26,279)</u>	 <u>\$ (221,089)</u>	 <u>\$ (300,321)</u>	 <u>\$ (79,232)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2019

	Enacted Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	\$ 126,000	\$ 130,240	\$ 130,839	\$ 599
Other revenues	<u>50</u>	<u>-</u>	<u>160</u>	<u>160</u>
TOTAL REVENUES	<u>\$ 126,050</u>	<u>\$ 130,240</u>	<u>\$ 130,999</u>	<u>\$ 759</u>
 EXPENDITURES				
Capital outlay	<u>\$ 128,000</u>	<u>\$ 129,220</u>	<u>\$ 129,220</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 128,000</u>	<u>\$ 129,220</u>	<u>\$ 129,220</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF OPERATIONS
WATER AND SEWER FUND
for the year ended June 30, 2019

	Water	Sewer	Total	2018 Total
OPERATING REVENUES				
Water and sewer service	\$ 1,662,086	\$ 1,272,890	\$ 2,934,976	\$ 2,892,623
Other income	<u>70,381</u>	<u>23,638</u>	<u>94,019</u>	<u>53,924</u>
 Total operating revenues	 <u>1,732,467</u>	 <u>1,296,528</u>	 <u>3,028,995</u>	 <u>2,946,547</u>
 OPERATING EXPENSES				
Salaries	525,723	220,070	745,793	756,153
Overtime and holiday pay	17,613	6,513	24,126	26,145
Longevity pay	7,482	1,206	8,688	11,772
Accrued pay	5,840	9,197	15,037	12,704
Employee retirement	252,369	101,857	354,226	350,795
Medical and hospital insurance	123,195	40,949	164,144	137,170
Social security	41,309	17,439	58,748	59,413
Workers' compensation	28,000	7,750	35,750	40,033
Repairs	243,570	70,678	314,248	228,093
Electricity	127,010	121,563	248,573	227,303
Hauling	-	33,755	33,755	32,185
Consulting	-	427	427	2,486
Telephone	7,350	4,197	11,547	8,531
Insurance	39,895	40,990	80,885	69,641
Gas and oil	13,677	6,221	19,898	17,554
Postage	5,200	-	5,200	5,506
Chemicals	131,881	47,712	179,593	171,215
Analysis and testing	8,343	15,725	24,068	22,797
Professional Services	5,500	5,500	11,000	10,000
Office supplies	14,859	3,862	18,721	23,728
Other supplies	24,910	13,813	38,723	70,902
Travel and training	2,660	4,705	7,365	8,668
Clothing allowance	9,905	4,851	14,756	19,265
Miscellaneous	37,158	7,092	44,250	45,985
Depreciation	<u>474,345</u>	<u>483,108</u>	<u>957,453</u>	<u>910,924</u>
 Total operating expenses	 <u>2,147,794</u>	 <u>1,269,180</u>	 <u>3,416,974</u>	 <u>3,268,968</u>
 OPERATING INCOME (LOSS)	 <u>\$ (415,327)</u>	 <u>\$ 27,348</u>	 <u>\$ (387,979)</u>	 <u>\$ (322,421)</u>

**CITY OF CYNTHIANA, KENTUCKY
WATER AND SEWER FUND
2005 ISSUE REVENUE BONDS
June 30, 2019**

Fiscal Year Ending June 30	Interest Rate	Principal	Interest	Total Requirement For the Year	Bonds Outstanding End of Year
					\$ 755,000
2020	4.125	\$ 16,000	\$ 31,144	\$ 47,144	739,000
2021	4.125	17,000	30,484	47,484	722,000
2022	4.125	17,000	29,783	46,783	705,000
2023	4.125	18,000	29,081	47,081	687,000
2024	4.125	19,000	28,339	47,339	668,000
2025	4.125	20,000	27,555	47,555	648,000
2026	4.125	21,000	26,730	47,730	627,000
2027	4.125	22,000	25,864	47,864	605,000
2028	4.125	23,000	24,956	47,956	582,000
2029	4.125	24,000	24,008	48,008	558,000
2030	4.125	25,000	23,018	48,018	533,000
2031	4.125	26,000	21,986	47,986	507,000
2032	4.125	27,000	20,914	47,914	480,000
2033	4.125	28,000	19,800	47,800	452,000
2034	4.125	30,000	18,645	48,645	422,000
2035	4.125	31,000	17,408	48,408	391,000
2036	4.125	32,000	16,129	48,129	359,000
2037	4.125	34,000	14,809	48,809	325,000
2038	4.125	35,000	13,406	48,406	290,000
2039	4.125	37,000	11,963	48,963	253,000
2040	4.125	38,000	10,436	48,436	215,000
2041	4.125	40,000	8,869	48,869	175,000
2042	4.125	42,000	7,219	49,219	133,000
2043	4.125	44,000	5,486	49,486	89,000
2044	4.125	46,000	3,671	49,671	43,000
2045	4.125	43,000	1,774	44,774	-
		<u>\$ 755,000</u>	<u>\$ 493,474</u>	<u>\$ 1,248,474</u>	

Bonds mature each year on January 1st. Interest is payable each year on July 1st and January 1st.

**CITY OF CYNTHIANA, KENTUCKY
WATER AND SEWER FUND
2000 ISSUE REVENUE BONDS
June 30, 2019**

Fiscal Year Ending June 30	Interest Rate	Principal	Interest	Total Requirement For the Year	Bonds Outstanding End of Year
					\$ 202,700
2020	4.75	\$ 5,800	\$ 9,628	\$ 15,428	196,900
2021	4.75	6,200	9,353	15,553	190,700
2022	4.75	6,400	9,058	15,458	184,300
2023	4.75	6,700	8,754	15,454	177,600
2024	4.75	7,100	8,436	15,536	170,500
2025	4.75	7,400	8,099	15,499	163,100
2026	4.75	7,700	7,747	15,447	155,400
2027	4.75	8,100	7,382	15,482	147,300
2028	4.75	8,500	6,997	15,497	138,800
2029	4.75	8,900	6,593	15,493	129,900
2030	4.75	9,300	6,170	15,470	120,600
2031	4.75	9,800	5,729	15,529	110,800
2032	4.75	10,200	5,263	15,463	100,600
2033	4.75	10,700	4,779	15,479	89,900
2034	4.75	11,200	4,270	15,470	78,700
2035	4.75	11,700	3,738	15,438	67,000
2036	4.75	12,300	3,183	15,483	54,700
2037	4.75	12,900	2,598	15,498	41,800
2038	4.75	13,500	1,986	15,486	28,300
2039	4.75	14,100	1,344	15,444	14,200
2040	4.75	<u>14,200</u>	<u>675</u>	<u>14,875</u>	-
		<u>\$ 202,700</u>	<u>\$ 121,782</u>	<u>\$ 324,482</u>	

Bonds mature each year on January 1st. Interest is payable each year on July 1st and January 1st.

**CITY OF CYNTHIANA, KENTUCKY
WATER AND SEWER FUND
2015 ISSUE REVENUE BONDS
June 30, 2019**

Fiscal Year Ending June 30	Interest Rate	Principal	Interest	Total Requirement For the Year	Bonds Outstanding End of Year
					\$ 3,484,500
2020	2.500	\$ 55,000	\$ 87,113	\$ 142,113	3,429,500
2021	2.500	56,500	85,738	142,238	3,373,000
2022	2.500	58,500	84,325	142,825	3,314,500
2023	2.500	60,000	82,863	142,863	3,254,500
2024	2.500	62,000	81,363	143,363	3,192,500
2025	2.500	64,000	79,813	143,813	3,128,500
2026	2.500	66,000	78,213	144,213	3,062,500
2027	2.500	67,500	76,563	144,063	2,995,000
2028	2.500	70,000	74,875	144,875	2,925,000
2029	2.500	72,000	73,125	145,125	2,853,000
2030	2.500	74,000	71,325	145,325	2,779,000
2031	2.500	76,000	69,475	145,475	2,703,000
2032	2.500	78,500	67,575	146,075	2,624,500
2033	2.500	81,000	65,613	146,613	2,543,500
2034	2.500	83,500	63,588	147,088	2,460,000
2035	2.500	86,000	61,500	147,500	2,374,000
2036	2.500	88,500	59,350	147,850	2,285,500
2037	2.500	91,000	57,138	148,138	2,194,500
2038	2.500	94,000	54,863	148,863	2,100,500
2039	2.500	96,500	52,513	149,013	2,004,000
2040	2.500	99,500	50,100	149,600	1,904,500
2041	2.500	102,500	47,613	150,113	1,802,000
2042	2.500	105,500	45,050	150,550	1,696,500
2043	2.500	108,500	42,413	150,913	1,588,000
2044	2.500	112,000	39,700	151,700	1,476,000
2045	2.500	115,500	36,900	152,400	1,360,500
2046	2.500	119,000	34,013	153,013	1,241,500
2047	2.500	122,500	31,038	153,538	1,119,000
2048	2.500	126,000	27,975	153,975	993,000
2049	2.500	130,000	24,825	154,825	863,000
2050	2.500	133,500	21,575	155,075	729,500
2051	2.500	137,500	18,238	155,738	592,000
2052	2.500	142,000	14,800	156,800	450,000
2053	2.500	146,000	11,250	157,250	304,000
2054	2.500	150,500	7,600	158,100	153,500
2055	2.500	153,500	3,838	157,338	-
		<u>\$ 3,484,500</u>	<u>\$ 1,883,850</u>	<u>\$ 5,368,350</u>	

Bonds mature each year on January 1st. Interest is payable each year on July 1st and January 1st.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Board of Commissioners
Cynthiana, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Cynthiana, Kentucky's basic financial statements, and have issued our report thereon dated May 11, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be to be a significant deficiency (2019-001).

Compliance and Other Matters

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

The City of Cynthiana, Kentucky's Response to Findings

The City of Cynthiana, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Cynthiana, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
May 11, 2020

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

FINDING:

2019-001 – Significant Deficiency – Financial Statements (Recurring)

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition: Management was unable to prepare draft financial statements, including the related notes to the financial statements.

Cause: The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Response: This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.