

CITY OF CYNTHIANA
Cynthiana, Kentucky



FINANCIAL STATEMENTS
June 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 3–9 and 39–57 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of operations – water and sewer fund, schedule of revenue bond requirements – water and sewer fund, and schedule of expenditures of federal awards 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, schedule of revenue bond requirements – water and sewer fund, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2021, 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
June 1, 2021

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, 2020. 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 10.

FINANCIAL HIGHLIGHTS

- The City's net position decreased in the governmental activities and business-type activities during 2020. The net position of the governmental activities decreased by \$1,447,960. The net position of the business-type activities decreased by \$491,209.
- Occupational license fees premium fees slightly increased above last year's revenue even with the Covid-19 pandemic beginning in March of 2020. Occupational Net Profits decreased considerably with the IRS extension deadline to file income taxes to July 15, 2020, the City honored the extension along with the federal government.
- The City continues to receive a 4% regulatory fee on all retail alcohol sales and tourism in Cynthiana.
- The City budgeted conservatively and continued cost containment measures implemented by management. The City strived to maintain current levels of service during the COVID-19 pandemic. Some scheduling changes and remote work was implemented during this time and will continue until the pandemic restrictions have been lifted. Mayor Smith declared a State of Emergency on March 20, 2020.
- The City continued building and selling homes in the Westside Redevelopment Project and anticipate closing out the project FYE 2021.
- The City purchased 50 Techway for \$500,000 to be utilized by both Public Works and Public Utilities Department as the Maintenance Facility. The estimate to have built a facility was nearly 2 million dollars so this purchase saved the City considerably.
- The City received CARES ACT monies to assist with continuing services during the Covid-19 Pandemic

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	\$ 2,659,007	\$ 564,987	\$ 3,223,994
Noncurrent and Capital Assets	8,349,518	22,277,643	30,627,161
Deferred Outflows of Resources	<u>3,158,069</u>	<u>717,520</u>	<u>3,875,589</u>
Total Assets and Deferred Outflows	<u>\$ 14,166,594</u>	<u>\$ 23,560,150</u>	<u>\$ 37,726,744</u>
Long-Term Accrued Leave Payable	\$ 277,715	\$ 99,573	\$ 377,288
Long-Term Debt	1,044,098	8,474,169	9,518,267
Net Pension and OPEB Liabilities	11,723,970	2,675,375	14,399,345
Other Current Liabilities	<u>246,554</u>	<u>285,217</u>	<u>531,771</u>
Total Liabilities	<u>\$ 13,292,337</u>	<u>\$ 11,534,334</u>	<u>\$ 24,826,671</u>
Deferred Inflows of Resources	<u>\$ 963,904</u>	<u>\$ 217,249</u>	<u>\$ 1,181,153</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,301,690	\$ 13,094,327	\$ 19,396,017
Restricted	177,184	709,147	886,331
Unrestricted	<u>(6,568,521)</u>	<u>(1,994,907)</u>	<u>(8,563,428)</u>
Total Net Position	<u>\$ (89,647)</u>	<u>\$ 11,808,567</u>	<u>\$ 11,718,920</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	\$ 369,378	\$ 3,488,893	\$ 3,858,271
Operating grants & contributions	1,214,444	3,000	1,217,444
Capital grants & contributions	127,434	-	127,434
Total Revenue	<u>1,711,256</u>	<u>3,491,893</u>	<u>5,203,149</u>
Program Expenses			
Public affairs	607,733	-	607,733
Public finance	350,724	-	350,724
Public safety-police	2,611,707	-	2,611,707
Public safety-fire	2,339,962	-	2,339,962
Public safety-dispatch	630,714	-	630,714
Public works	784,524	-	784,524
Public property	382,370	-	382,370
Sanitation	325,966	-	325,966
Code enforcement	7,200	-	7,200
Main street	43,224	-	43,224
Interest on long-term debt	51,561	-	51,561
Water	-	2,520,897	2,520,897
Sewer	-	1,473,646	1,473,646
Total Program Expenses	<u>8,135,685</u>	<u>3,994,543</u>	<u>12,130,228</u>
Net Revenues (Expenses)	<u>(6,424,429)</u>	<u>(502,650)</u>	<u>(6,927,079)</u>
General Revenues			
Taxes	725,509	-	725,509
License fees	4,157,894	-	4,157,894
Investment earnings	18,378	1,041	19,419
Miscellaneous	69,938	-	69,938
Total General Revenue	<u>4,971,719</u>	<u>1,041</u>	<u>4,972,760</u>
Gain (loss) on disposal	<u>4,750</u>	<u>10,400</u>	<u>15,150</u>
Net Change in Net Position	<u>\$ (1,447,960)</u>	<u>\$ (491,209)</u>	<u>\$ (1,939,169)</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>	Other <u>Gov't Funds</u>	<u>Total</u>
Taxes	\$ 725,509	\$ -	\$ 725,509
Licenses and permits	4,157,894	-	4,157,894
Intergovernmental	1,214,444	127,434	1,341,878
Charges for services	369,378	-	369,378
Other revenue	<u>88,222</u>	<u>94</u>	<u>88,316</u>
Total revenues	<u>6,555,447</u>	<u>127,528</u>	<u>6,682,975</u>
Public affairs	532,504	-	532,504
Public finance	293,085	-	293,085
Public safety – police	1,882,628	-	1,882,628
Public safety-fire	1,622,856	-	1,622,856
Public safety-dispatch	496,995	-	496,995
Public works	499,244	-	499,244
Public property	377,907	-	377,907
Sanitation	325,966	-	325,966
Code enforcement	7,200	-	7,200
Main street	33,013	-	33,013
Debt service	155,226	-	155,226
Capital outlay	<u>795,855</u>	<u>144,040</u>	<u>939,895</u>
Total expenditures	<u>7,022,479</u>	<u>144,040</u>	<u>7,166,519</u>
Excess (deficiency) of revenues over expenses before other financing sources	<u>\$ (467,032)</u>	<u>\$ (16,512)</u>	<u>\$ (483,544)</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	\$ 732,195	\$ 725,509	\$ (6,686)
Licenses and permits	4,122,425	4,157,894	35,469
Intergovernmental	1,309,441	1,214,444	(94,997)
Charges for services	365,000	369,378	4,378
Other revenues	<u>79,797</u>	<u>88,222</u>	<u>8,425</u>
Total revenues	<u>\$ 6,608,858</u>	<u>\$ 6,555,447</u>	<u>\$ (53,411)</u>

Table A-5

Condensed Governmental Funds - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Public affairs	\$ 581,904	\$ 532,504	\$ (49,400)
Public finance	285,350	293,085	7,735
Public safety-police	1,874,347	1,882,628	8,281
Public safety-fire	1,635,886	1,622,856	(13,030)
Public safety-dispatch	501,165	496,995	(4,170)
Public works	486,357	499,244	12,887
Public sanitation	380,455	325,966	(54,489)
Public property	368,173	377,907	9,734
Code enforcement	7,200	7,200	-
Main street	33,447	33,013	(434)
Debt service	156,692	155,226	(1,466)
Capital outlay	<u>742,991</u>	<u>795,855</u>	<u>52,864</u>
Total	<u>\$ 7,053,967</u>	<u>\$ 7,022,479</u>	<u>\$ (31,448)</u>

The City budgeted for a total of \$6,608,858 in revenues for 2020, but actual revenues totaled \$6,555,447. The City over budgeted revenues by \$53,411. A total of \$7,053,967 was budgeted for expenditures, but expenditures totaled \$7,022,479 for fiscal year 2020. The City was under budget on the expenses by \$31,488. 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	313,034	19,060	332,094
Infrastructure	3,599,470	-	3,599,470
Building & improvements	2,508,750	-	2,508,750
Vehicles & equipment	3,204,358	598,670	3,803,028
Water & sewer system	<u>-</u>	<u>42,113,274</u>	<u>42,113,274</u>
Total capital assets	<u>\$ 12,370,239</u>	<u>\$ 42,731,004</u>	<u>\$ 55,101,243</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	\$ 606,736	\$ 8,315,192	\$ 8,921,928
Capital Leases Payable	<u>437,362</u>	<u>158,977</u>	<u>596,339</u>
Total Debt Outstanding	<u>\$ 1,044,098</u>	<u>\$ 8,474,169</u>	<u>\$ 9,518,267</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. The City anticipates revenues from occupational license, net profits, insurance premium fees and property taxes to remain steady for the fiscal year ended June 30, 2021. The City management will closely monitor revenues and expenses with the concerns of COVID-19 pandemic.

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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,128,931	\$ 107,608	\$ 1,236,539
Receivables, net	1,499,455	488,000	1,987,455
Internal balances	30,621	(30,621)	-
Total current assets	<u>2,659,007</u>	<u>564,987</u>	<u>3,223,994</u>
Noncurrent assets			
Restricted cash and cash equivalents	177,184	709,147	886,331
Assets available for sale	826,546	-	826,546
Capital assets			
Construction in progress	313,034	19,060	332,094
Land and improvements	2,744,627	-	2,744,627
Depreciable infrastructure, net	2,311,992	-	2,311,992
Depreciable buildings, property, and equipment, net	<u>1,976,135</u>	<u>21,549,436</u>	<u>23,525,571</u>
Total noncurrent assets	<u>8,349,518</u>	<u>22,277,643</u>	<u>30,627,161</u>
Total assets	<u>11,008,525</u>	<u>22,842,630</u>	<u>33,851,155</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows- pension	2,157,221	495,647	2,652,868
Deferred outflows- OPEB	<u>1,000,848</u>	<u>221,873</u>	<u>1,222,721</u>
Total deferred outflows of resources	<u>3,158,069</u>	<u>717,520</u>	<u>3,875,589</u>
Total assets and deferred outflows of resources	<u>\$ 14,166,594</u>	<u>\$ 23,560,150</u>	<u>\$ 37,726,744</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 85,645	\$ 129,751	\$ 215,396
Accrued leave payable	2,928	-	2,928
Accrued payroll liabilities	103,981	30,221	134,202
Accrued interest payable	-	66,345	66,345
Unearned revenue	54,000	-	54,000
Customer deposits	-	58,900	58,900
Capital leases, current	97,397	44,137	141,534
Bonds and notes payable, current	<u>530,310</u>	<u>644,702</u>	<u>1,175,012</u>
Total current liabilities	<u>874,261</u>	<u>974,056</u>	<u>1,848,317</u>
Noncurrent liabilities			
Accrued leave payable	277,715	99,573	377,288
Capital leases, net of current portion	339,965	114,840	454,805
Bonds and notes payable, net of current portion	76,426	7,670,490	7,746,916
Net pension liability	9,325,292	2,119,755	11,445,047
Net OPEB liability	<u>2,398,678</u>	<u>555,620</u>	<u>2,954,298</u>
Total noncurrent liabilities	<u>12,418,076</u>	<u>10,560,278</u>	<u>22,978,354</u>
Total liabilities	<u>13,292,337</u>	<u>11,534,334</u>	<u>24,826,671</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows- pension	265,933	36,603	302,536
Deferred inflows- OPEB	<u>697,971</u>	<u>180,646</u>	<u>878,617</u>
Total deferred inflows of resources	<u>963,904</u>	<u>217,249</u>	<u>1,181,153</u>
NET POSITION			
Net investment in capital assets	6,301,690	13,094,327	19,396,017
Restricted for:			
Debt service	-	700,924	700,924
Other purposes	177,184	8,223	185,407
Unrestricted	<u>(6,568,521)</u>	<u>(1,994,907)</u>	<u>(8,563,428)</u>
Total net position	<u>(89,647)</u>	<u>11,808,567</u>	<u>11,718,920</u>
Total liabilities, deferred inflows of resource, and net position	<u>\$ 14,166,594</u>	<u>\$ 23,560,150</u>	<u>\$ 37,726,744</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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Public affairs	\$ 607,733	\$ -	\$ -	\$ -	\$ (607,733)	\$ -	\$ (607,733)
Public finance	350,724	-	-	-	(350,724)	-	(350,724)
Public safety-police	2,611,707	-	617,843	-	(1,993,864)	-	(1,993,864)
Public safety-fire	2,339,962	-	108,806	-	(2,231,156)	-	(2,231,156)
Public safety-dispatch	630,714	-	487,795	-	(142,919)	-	(142,919)
Public works	784,524	-	-	127,434	(657,090)	-	(657,090)
Public property	382,370	-	-	-	(382,370)	-	(382,370)
Sanitation	325,966	369,378	-	-	43,412	-	43,412
Code enforcement	7,200	-	-	-	(7,200)	-	(7,200)
Main street	43,224	-	-	-	(43,224)	-	(43,224)
Interest on long-term debt	51,561	-	-	-	(51,561)	-	(51,561)
Total governmental activities	<u>8,135,685</u>	<u>369,378</u>	<u>1,214,444</u>	<u>127,434</u>	<u>(6,424,429)</u>	<u>-</u>	<u>(6,424,429)</u>
Business-type activities							
Water	2,520,897	2,045,922	3,000	-	-	(471,975)	(471,975)
Sewer	1,473,646	1,442,971	-	-	-	(30,675)	(30,675)
Total business-type activities	<u>3,994,543</u>	<u>3,488,893</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>(502,650)</u>	<u>(502,650)</u>
Total primary government	<u>\$ 12,130,228</u>	<u>\$ 3,858,271</u>	<u>\$ 1,217,444</u>	<u>\$ 127,434</u>	<u>(6,424,429)</u>	<u>(502,650)</u>	<u>(6,927,079)</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes							
					725,509	-	725,509
License fees:							
Franchise							
					302,001	-	302,001
Insurance premiums							
					636,129	-	636,129
Occupational							
					3,015,404	-	3,015,404
Reg fee/ retail alcohol							
					170,105	-	170,105
Other							
					34,255	-	34,255
Investment earnings							
					18,378	1,041	19,419
Miscellaneous							
					69,938	-	69,938
Total general revenues							
					4,971,719	1,041	4,972,760
Gain on disposal of capital assets							
					4,750	10,400	15,150
Change in net position							
					(1,447,960)	(491,209)	(1,939,169)
Net position-beginning of year							
					1,358,313	12,299,776	13,658,089
NET POSITION-ENDING							
					\$ (89,647)	\$ 11,808,567	\$ 11,718,920

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

CITY OF CYNTHIANA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Municipal Road Aid	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,190,224	\$ 115,891	\$ 1,306,115
Receivables, net	962,882	-	962,882
Other receivable	485,111	-	485,111
Notes receivable, net	51,462	-	51,462
Due from other funds	30,621	-	30,621
Total assets	\$ 2,720,300	\$ 115,891	\$ 2,836,191
LIABILITIES			
Accounts payable	\$ 85,645	\$ -	\$ 85,645
Accrued leave payable	2,928	-	2,928
Accrued payroll liabilities	103,981	-	103,981
Unearned revenue	54,000	-	54,000
Total liabilities	246,554	-	246,554
FUND BALANCES			
Restricted			
Tourism	7,293	-	7,293
Grants	54,000	-	54,000
MRA	-	115,891	115,891
Assigned			
Fire truck reserve	10,191	-	10,191
Unassigned	2,402,262	-	2,402,262
Total fund balances	2,473,746	115,891	2,589,637
Total liabilities and fund balances	\$ 2,720,300	\$ 115,891	\$ 2,836,191

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

Fund balances reported above \$ 2,589,637

Capital assets used in governmental activities and assets held for sale are not financial resources and therefore are not reported in the funds. 8,172,334

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. (10,851,618)

Net position of governmental activities \$ (89,647)

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, 2020

	General	Municipal Road Aid	Total Governmental Funds
REVENUES			
Taxes	\$ 725,509	\$ -	\$ 725,509
Licenses and permits	4,157,894	-	4,157,894
Intergovernmental	1,214,444	127,434	1,341,878
Charges for services	369,378	-	369,378
Other revenues	88,222	94	88,316
Total revenues	6,555,447	127,528	6,682,975
EXPENDITURES			
Current			
Public affairs	532,504	-	532,504
Public finance	293,085	-	293,085
Public safety-police	1,882,628	-	1,882,628
Public safety-fire	1,622,856	-	1,622,856
Public safety-dispatch	496,995	-	496,995
Public works	499,244	-	499,244
Public property	377,907	-	377,907
Sanitation	325,966	-	325,966
Code enforcement	7,200	-	7,200
Main street	33,013	-	33,013
Debt service	155,226	-	155,226
Capital outlay	795,855	144,040	939,895
Total expenditures	7,022,479	144,040	7,166,519
Excess (deficiency) of revenues over expenditures	(467,032)	(16,512)	(483,544)
Other financing sources:			
Proceeds from capital lease	320,821	-	320,821
Proceeds from note agreements	216,266	-	216,266
Proceeds from disposal of capital assets	4,750	-	4,750
Total other financing sources	541,837	-	541,837
Net change in fund balances	74,805	(16,512)	58,293
Fund balances-beginning	2,398,941	132,403	2,531,344
Fund balances-ending	\$ 2,473,746	\$ 115,891	\$ 2,589,637
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 58,293
Add: capital outlay expenditures			939,895
Add: debt service expenditures			155,226
Add: gain on disposal of assets			4,750
Less: interest on long-term debt			(51,561)
Less: proceeds from capital lease			(320,821)
Less: proceeds from sale and disposal of assets			(4,750)
Less: proceeds from notes			(216,266)
Less: change in net pension liability			(1,334,894)
Less: change in net OPEB liability			(162,597)
Less: change in long-term accrued leave payable			(87,732)
Less: depreciation on governmental activities assets			(427,503)
Change in net position Governmental Activities			\$ (1,447,960)

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	Business-type Activities
	Water & Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 107,608
Receivables, net	488,000
Total current assets	595,608
Noncurrent assets	
Restricted cash and cash equivalents	709,147
Capital assets	
Construction in progress	19,060
Vehicles and equipment	598,670
Utility systems	42,113,274
Less: accumulated depreciation	(21,162,508)
Total noncurrent assets	22,277,643
Total assets	22,873,251
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	495,647
Deferred outflows - OPEB	221,873
Total deferred outflows of resources	717,520
Total assets and deferred outflows of resources	\$ 23,590,771
LIABILITIES	
Current liabilities	
Accounts payable	\$ 129,751
Accrued payroll liabilities	30,221
Accrued interest payable	66,345
Customer deposits	58,900
Capital leases, current	44,137
Bonds and notes payable, current	644,702
Due to other funds	30,621
Total current liabilities	1,004,677
Noncurrent liabilities	
Compensated absences	99,573
Capital leases, net of current portion	114,840
Bonds and notes payable, net of current portion	7,670,490
Net pension liability	2,119,755
Net OPEB liability	555,620
Total noncurrent liabilities	10,560,278
Total liabilities	11,564,955
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	36,603
Deferred inflows - OPEB	180,646
Total deferred inflows of resources	217,249
NET POSITION	
Net investment in capital assets	13,094,327
Restricted	709,147
Unrestricted	(1,994,907)
Total net position	11,808,567
Total liabilities and net position	\$ 23,590,771

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, 2020**

	Business-type Activities
	Water & Sewer Fund
Operating revenues	
Charges for services	\$ 3,355,708
Other revenues	133,185
Total operating revenues	3,488,893
Operating expenses	
Salaries and employee benefits	1,557,661
Material and supplies	86,667
Repairs and maintenance	398,734
Electricity	277,961
Chemicals	264,897
Other	235,402
Depreciation	991,552
Total operating expenses	3,812,874
Operating income (loss)	(323,981)
Nonoperating revenues (expenses)	
Investment earnings	1,041
Gain on disposal of capital assets	10,400
Grant revenue	3,000
Interest expense	(181,669)
Total nonoperating revenues (expenses)	(167,228)
Change in net position	(491,209)
Total net position-beginning	12,299,776
TOTAL NET POSITION-ENDING	\$ 11,808,567

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, 2020

	Business-Type Activities
	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,425,693
Payments to suppliers	(1,153,234)
Payments for employee services and benefits	(1,280,254)
Customer deposits received	8,638
Customer deposits returned	(6,138)
Net cash provided by (used in) operating activities	994,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase (decrease) in interfund loans	(119,379)
Grant revenue	3,000
Net cash provided by (used in) noncapital financing activities	(116,379)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,306,742)
Proceeds from sale of capital assets	10,400
Principal paid on long-term debt	(439,075)
Proceeds from issuance of debt	1,172,600
Interest paid on long-term debt	(181,502)
Net cash provided by (used in) capital and related financing activities	(744,319)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,041
Net cash provided by (used in) investing activities	1,041
Net increase (decrease) in cash and cash equivalents	135,048
Cash and cash equivalents - beginning of the year	681,707
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 816,755
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating (loss)	\$ (323,981)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	991,552
Net change in pension liability	233,825
Net change in OPEB liability	8,032
Change in assets and liabilities:	
Receivables, net	(63,200)
Customer deposits	2,500
Accounts and other payables	110,427
Accrued expenses	35,550
Net cash provided by operating activities	\$ 994,705
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 107,608
Restricted assets - cash and cash equivalents	709,147
Total cash and cash equivalents	\$ 816,755
Schedule of non-cash activities	
Capital assets purchased with capital lease	\$ 59,953

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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 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, 2020

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, 2020

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 balance is divided into nonspendable and spendable components, if applicable. 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.

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, 2020

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 June 1, 2021, 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, 2020, 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, 2020 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 \$2,122,870 and the bank balances totaled \$2,200,905. \$1,029,149 was covered by FDIC insurance and \$1,171,756 was collateralized by custodial banks.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	\$ 5,727	\$ -	\$ -	\$ 5,727
Licenses, permits, billings	957,155	-	-	957,155
Intergovernmental	485,111	-	-	485,111
Customers	<u>-</u>	<u>-</u>	<u>488,000</u>	<u>488,000</u>
Net receivables	<u>\$ 1,447,993</u>	<u>\$ -</u>	<u>\$ 488,000</u>	<u>\$ 1,935,993</u>

4. CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets not being depreciated:				
Land and improvements	\$ 2,744,627	\$ -	\$ -	\$ 2,744,627
Construction in progress	<u>225,966</u>	<u>87,068</u>	<u>-</u>	<u>313,034</u>
Total	<u>2,970,593</u>	<u>87,068</u>	<u>-</u>	<u>3,057,661</u>
Capital assets being depreciated:				
Buildings and improvements	2,258,194	250,556	-	2,508,750
Vehicles and equipment	<u>3,070,883</u>	<u>133,475</u>	<u>-</u>	<u>3,204,358</u>
Total	<u>5,329,077</u>	<u>384,031</u>	<u>-</u>	<u>5,713,108</u>
Total non-infrastructure assets	<u>8,299,670</u>	<u>471,099</u>	<u>-</u>	<u>8,770,769</u>
Infrastructure assets	<u>3,428,122</u>	<u>171,348</u>	<u>-</u>	<u>3,599,470</u>
Total capital assets	<u>11,727,792</u>	<u>642,447</u>	<u>-</u>	<u>12,370,239</u>
Less: accumulated depreciation:				
Buildings and improvements	1,087,766	72,729	-	1,160,495
Vehicles and equipment	2,385,461	191,017	-	2,576,478
Infrastructure assets	<u>1,123,721</u>	<u>163,757</u>	<u>-</u>	<u>1,287,478</u>
Total	<u>4,596,948</u>	<u>427,503</u>	<u>-</u>	<u>5,024,451</u>
Governmental activities capital assets, net	<u>\$ 7,130,844</u>	<u>\$ 214,944</u>	<u>\$ -</u>	<u>\$ 7,345,788</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities:</u>	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Construction in progress	\$ 66,249	\$ 925,411	\$ (972,600)	\$ 19,060
Equipment and vehicles	575,994	59,953	(37,277)	598,670
Water system	16,253,653	1,353,931	-	17,607,584
Sewer system	<u>24,505,690</u>	<u>-</u>	<u>-</u>	<u>24,505,690</u>
Total capital assets	41,401,586	2,339,295	(1,009,877)	42,731,004
Less: accumulated depreciation	<u>20,208,233</u>	<u>991,552</u>	<u>(37,277)</u>	<u>21,162,508</u>
Capital assets, net	<u>\$ 21,193,353</u>	<u>\$ 1,347,743</u>	<u>\$ (972,600)</u>	<u>\$ 21,568,496</u>

Depreciation expense was charged to the governmental functions as follows:

Public affairs	\$ 75,229
Public safety - police	117,682
Public safety - fire	57,276
Public works	176,510
Public property	<u>806</u>
Total	<u>\$ 427,503</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, 2020, 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
2021	\$ 23,671	\$ 1,953	\$ 25,624
2022	24,182	1,442	25,624
2023	24,703	921	25,624
2024	<u>27,539</u>	<u>388</u>	<u>27,927</u>
	<u>\$ 100,095</u>	<u>\$ 4,704</u>	<u>\$ 104,799</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 September 18, 2020. In November 2019, the City entered into two additional promissory note agreements totaling \$216,266 to finance the construction of two homes, as part of the Westside Redevelopment Project. The loans are for 12 months at a rate of interest of 3.00%. At June 30, 2020, the notes had a principal balance of \$306,639. Subsequent to year end, the loans were paid off.

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the general fund and water and sewer fund and has been recorded equally in both funds. The loan is set to mature on December 31, 2020, at which date all principal and accrued interest is due in a lump sum payment. The rate of interest on the loan is 4.00%. The City pledged a certificate of deposit as collateral on the loan. At June 30, 2020 the balance of the certificate of deposit was \$423,820. At June 30, 2020, the loan had a total balance of \$400,000 with \$200,000 recorded in the general fund as a current liability. Subsequent to year end, the City refinanced the loan with a revised maturity date of September 23, 2027.

Capital lease obligations

During 2020 and 2019, 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 2020 and 2019, totaled \$110,385 and \$52,921, 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, 2020
Police	\$ 529,621	\$ 179,315	\$ 350,306
Public Works	<u>68,567</u>	<u>11,428</u>	<u>57,139</u>
Total	<u>\$ 598,188</u>	<u>\$ 190,743</u>	<u>\$ 407,445</u>

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

Year Ended	Principal	Interest	Total
2021	\$ 97,398	\$ 32,336	\$ 129,734
2022	107,572	22,163	129,735
2023	106,821	12,598	119,419
2024	102,511	4,777	107,288
2025	<u>23,059</u>	<u>438</u>	<u>23,497</u>
Total	<u>\$ 437,361</u>	<u>\$ 72,312</u>	<u>\$ 509,673</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. GOVERNMENTAL 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, 2019	Additions	Retirements	June 30, 2020	Current Portion
Notes payable	\$ 208,916	\$ 416,266	\$ (18,446)	\$ 606,736	\$ 530,310
Capital lease payable	401,760	120,821	(85,219)	437,362	97,397
Accrued leave	189,982	87,733	-	277,715	-
Net pension liability	7,734,222	1,591,070	-	9,325,292	-
Net OPEB liability	<u>2,226,108</u>	<u>172,570</u>	<u>-</u>	<u>2,398,678</u>	<u>-</u>
Total	<u>\$ 10,760,988</u>	<u>\$ 2,388,460</u>	<u>\$ (103,665)</u>	<u>\$ 13,045,783</u>	<u>\$ 627,707</u>

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

Bonds and notes payable

The June 30, 2020 summary of bonds and notes payable of the Water and Sewer Fund is as follows:

	Amount Issued	Interest Rate	Balance Outstanding 7/01/19	Issued (Retired) During Year	Balance Outstanding 6/30/20
2015 Series	\$ 3,590,000	2.5%	\$ 3,484,500	\$ (55,000)	\$ 3,429,500
2005 Series	\$ 900,000	4.125%	755,000	(16,000)	739,000
KIA Loan	\$ 5,887,374	1.00%	2,553,430	(289,288)	2,264,142
2000 Series	\$ 270,000	4.75%	202,700	(5,800)	196,900
KIA Loan	\$ 754,539	0.75%	539,575	(26,525)	513,050
KIA Loan	\$ 972,600	0.50%	-	972,600	972,600
Building Loan	\$ 200,000	4.00%	<u>-</u>	<u>200,000</u>	<u>200,000</u>
			<u>\$ 7,535,205</u>	<u>\$ 779,987</u>	<u>\$ 8,315,192</u>

Revenue Bonds Payable at June 30, 2020, 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, 2020, is \$196,900.

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, 2020, is \$739,000.

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 \$2,264,141 at June 30, 2020.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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, 2020 is \$3,429,500.

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 \$513,049 at June 30, 2020.

The KIA Loan was issued in 2020 with draws totaling \$972,600. The loan was for the East Side Pressure Project. The loan carries a 0.50% rate of interest and had an outstanding balance totaling \$972,600 at June 30, 2020.

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.

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the general fund and water and sewer fund and has been recorded equally in both funds. The loan is set to mature on December 31, 2020, at which date all principal and accrued interest is due in a lump sum payment. The rate of interest on the loan is 4.00%. The City pledged a certificate of deposit as collateral on the loan. At June 30, 2020 the balance of the certificate of deposit was \$423,820. At June 30, 2020, the loan had a total balance of \$400,000 with \$200,000 recorded in the water and sewer fund. Subsequent to year end, the City refinanced the loan with a revised maturity date of September 23, 2027.

Bonds and notes payable, continued

Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 644,702	\$ 156,147	\$ 800,849
2022	450,547	150,321	600,868
2023	456,742	144,459	601,201
2024	463,568	138,472	602,040
2025	470,327	132,341	602,668
2026-2030	1,661,544	572,777	2,234,321
2031-2035	992,975	466,410	1,459,385
2036-2040	1,055,285	355,163	1,410,448
2041-2045	759,000	238,694	997,694
2046-2050	631,000	139,425	770,425
2051-2055	<u>729,502</u>	<u>55,725</u>	<u>785,227</u>
	<u>\$ 8,315,192</u>	<u>\$ 2,549,934</u>	<u>\$10,865,126</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Capital lease obligations

During 2020 and 2019, the City entered into agreements with a fleet management service to lease various vehicles. In August 2019, the City also entered into a lease agreement for an excavator through a dealer financing program. 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 2020 and 2019 totaled \$46,417 and \$35,407, 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, 2020
Water	\$ 185,055	\$ 72,796	\$ 112,259
Sewer	<u>57,022</u>	<u>27,916</u>	<u>29,106</u>
Total	<u>\$ 242,077</u>	<u>\$ 100,712</u>	<u>\$ 141,365</u>

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

Year Ended	Principal	Interest	Total
2021	\$ 44,137	\$ 11,371	\$ 55,508
2022	62,854	7,442	70,296
2023	35,338	2,572	37,910
2024	<u>16,648</u>	<u>89</u>	<u>16,737</u>
Total	<u>\$ 158,977</u>	<u>\$ 21,474</u>	<u>\$ 180,451</u>

Changes in long term debt

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

	July 1, 2019	Additions	Retirements	June 30, 2020	Current Portion
Bonds and Notes	\$ 7,535,205	\$ 1,172,600	\$ (392,613)	\$ 8,315,192	\$ 644,702
Capital lease payable	145,486	59,953	(46,462)	158,977	44,137
Accrued leave	58,489	41,084	-	99,573	-
Net pension liability	1,821,398	298,357	-	2,119,755	-
Net OPEB liability	<u>580,266</u>	<u>-</u>	<u>(24,646)</u>	<u>555,620</u>	<u>-</u>
Total	<u>\$ 10,140,844</u>	<u>\$ 1,571,994</u>	<u>\$ (463,721)</u>	<u>\$ 11,249,117</u>	<u>\$ 688,839</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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

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, 2020, 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, 2020, participating employers contributed 20.46% of each employee’s wages for non-hazardous job classifications and 39.58% 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 19.30% to the pension trust for non-hazardous job classifications and 30.06% 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.

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, 2020, the City contributed \$289,915 or 100% of the required contribution for non-hazardous job classifications, and \$500,079, for the year ended June 30, 2020, 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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

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.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
\$ <u>11,445,047</u>	\$ <u>3,852,491</u>	\$ <u>7,592,556</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. 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, 2019 was as follows:

Non-hazardous	Hazardous
.0548%	.2749%

The proportionate share at June 30, 2019 increased .0004% for non-hazardous and increased .0167% for hazardous compared to the proportionate share as of June 30, 2018.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2020, the City recognized pension expense of \$2,336,384. At June 30, 2020, 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	\$ 420,956	\$ 16,278
Changes of assumptions	1,126,919	-
Net difference between projected and actual earnings on Plan Investments	-	169,557
Changes in proportion and differences between City contributions and proportionate share of contributions	344,400	116,701
City contributions subsequent to the measurement date	<u>760,593</u>	<u>-</u>
Total	<u>\$ 2,652,868</u>	<u>\$ 302,536</u>

The \$760,593 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, 2021. Contributions exclude \$29,401 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,

2021	\$ 1,012,130
2022	\$ 405,291
2023	\$ 161,068
2024	\$ 11,250

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2018 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, 2018) to the plan's fiscal year ending June 30, 2019.

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
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

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 24-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		
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 4,818,373	5.25%	\$ 9,492,398		
Current discount rate	6.25%	\$ 3,852,491	6.25%	\$ 7,592,556		
1% increase	7.25%	\$ 3,047,437	7.25%	\$ 6,034,959		

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2020, the City reported a payable of \$93,488 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. 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, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% 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.

For the year ended June 30, 2020, the City contributed \$71,502, or 100% of the required contribution for non-hazardous job classifications, and \$158,375, or 100% of the required contribution for hazardous job classifications.

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
\$ <u>2,954,298</u>	\$ <u>921,089</u>	\$ <u>2,033,209</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. 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, 2019 was as follows:

Non-hazardous	Hazardous
.0548%	.2748%

The proportionate share at June 30, 2019 increased .0004% for non-hazardous and increased .0166% for hazardous compared to the proportionate share as of June 30, 2018.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$418,731. At June 30, 2020, 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	\$ -	\$ 656,157
Changes of assumptions	886,986	5,673
Net difference between projected and actual earnings on Plan investments	-	157,807
Changes in proportion and differences between City contributions and proportionate share of contributions	93,305	58,980
City contributions subsequent to the measurement date	<u>242,430</u>	<u>-</u>
Total	<u>\$ 1,222,721</u>	<u>\$ 878,617</u>

The \$242,430 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, 2021. Contributions exclude \$8,680 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$21,233, 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,		
2021	\$	124,736
2022	\$	16,594
2023	\$	(23,656)
2024	\$	3,955
2025	\$	(16,876)
2026	\$	(3,079)

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 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	3.30 to 10.30%, varies by service, 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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.68% and 5.69% 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 24-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 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	4.68%	\$ 1,233,880	4.69%	\$ 2,836,736
Current discount rate	5.68%	\$ 921,089	5.69%	\$ 2,033,209
1% increase	6.68%	\$ 663,370	6.69%	\$ 1,380,978

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		\$ 685,019		\$ 1,414,737
Current trend rate		\$ 921,089		\$ 2,033,209
1% increase		\$ 1,207,352		\$ 2,787,710

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, 2020

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2020 were levied in September 2019, 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, 2020 is as follows:

	Balance	Additions	Deletions	Balance
	July 1, 2019			June 30, 2020
Assets available for sale	\$ <u>529,098</u>	\$ <u>297,448</u>	\$ <u>-</u>	\$ <u>826,546</u>

During 2020, the City built homes on three parcels of land. After year end, the City sold four homes and deeded one parcel of land to be developed by the Cynthiana-Harrison County Housing Assistance, Inc.

13. LOAN RECEIVABLE

The City has forgivable loan agreements related to the sale of three properties for the Westside Redevelopment Project described in note 12. The loan agreements are comprised of housing development loans financed by resource allocations from the U.S. Department of Housing and Urban Development (HUD). The loans were made with home buyers in 2018, 2019, and 2020 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 are 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, 2020 was \$81,000.

The City entered into an agreement with Cynthiana-Harrison County Home Assistance, Inc (CHCHA) for repayment of expenses incurred by the City on the properties deeded to CHCHA for the westside redevelopment project. The term of the agreement is 6 years with equal, quarterly installments of \$2,144 being paid to the City beginning on April 27, 2021. The principal balance of the note receivable as of June 30, 2020 was \$51,462.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 2020, the City received an additional extension for the project completion date from December 31, 2020 to June 30, 2021. 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 used 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 \$237,055 at June 30, 2020.

16. COVID-19 PANDEMIC

Since 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.

17. SUBSEQUENT EVENT

On July 1, 2020, the City issued bonds to obtain \$3,090,000 in financing. \$2,095,000 of the bond proceeds are to finance construction for the City's energy project and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due on the first day of each month, beginning on August 1, 2020 and set to mature on January 1, 2043.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
Property taxes				
Real estate and tangible	\$ 525,000	\$ 534,000	\$ 534,138	\$ 138
Public service companies	61,000	61,200	60,031	(1,169)
Bank shares	56,000	55,853	55,853	-
Payment in lieu of taxes	8,000	8,218	8,218	-
Penalties	9,000	8,800	8,762	(38)
Motor vehicle	52,000	55,700	51,398	(4,302)
Real estate and tangible prior year	<u>19,000</u>	<u>8,424</u>	<u>7,109</u>	<u>(1,315)</u>
	<u>730,000</u>	<u>732,195</u>	<u>725,509</u>	<u>(6,686)</u>
Licenses, permits and billings				
Occupational license fees	2,725,000	2,810,920	2,798,214	(12,706)
Occupational license net profits fees	360,000	163,000	217,190	54,190
Privilege license fees	3,000	3,290	3,310	20
Liquor and beer licenses	19,000	18,670	18,670	-
Insurance premium license fees	680,000	641,000	636,129	(4,871)
Residential rental licenses	10,000	9,370	10,200	830
Utility franchise licenses	310,000	317,100	302,001	(15,099)
Reg fee/ retail alcohol	150,000	157,000	170,105	13,105
Tourism license fee	<u>5,000</u>	<u>2,075</u>	<u>2,075</u>	<u>-</u>
	<u>4,262,000</u>	<u>4,122,425</u>	<u>4,157,894</u>	<u>35,469</u>
Intergovernmental revenue				
Police incentive pay	110,000	75,170	80,332	5,162
Fire incentive pay	108,800	117,366	108,806	(8,560)
E-911 reimbursement	636,000	562,000	487,795	(74,205)
FEMA	-	9,325	9,325	-
Other grants	<u>189,210</u>	<u>545,580</u>	<u>528,186</u>	<u>(17,394)</u>
	<u>1,044,010</u>	<u>1,309,441</u>	<u>1,214,444</u>	<u>(94,997)</u>
Charges for service				
Sanitation fees	<u>370,000</u>	<u>365,000</u>	<u>369,378</u>	<u>4,378</u>
Other revenues				
Parking tickets	200	20	20	-
Interest income	13,000	17,000	18,284	1,284
Miscellaneous	<u>35,200</u>	<u>62,777</u>	<u>69,918</u>	<u>7,141</u>
	<u>48,400</u>	<u>79,797</u>	<u>88,222</u>	<u>8,425</u>
TOTAL REVENUES	<u>\$ 6,454,410</u>	<u>\$ 6,608,858</u>	<u>\$ 6,555,447</u>	<u>\$ (53,411)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC AFFAIRS				
Mayor's salary	\$ 30,600	\$ 31,850	\$ 31,850	\$ -
City attorney expense	17,400	17,748	17,748	-
Other legal expenses	5,000	3,030	3,030	-
Other professional services	500	500	500	-
Medical and hospital insurance	31,000	30,458	30,457	(1)
Social security	3,300	3,720	3,718	(2)
Workers' compensation	200	-	-	-
City picnic	3,500	-	-	-
Telephone	1,300	1,100	910	(190)
Website	500	191	191	-
Office supplies	2,000	3,100	3,096	(4)
Travel and training	1,000	203	203	-
Publishing	5,000	9,220	9,767	547
Membership dues	2,000	1,973	1,973	-
Regional cable commission dues	1,000	1,000	1,000	-
Bluegrass Area Development District	1,300	1,207	1,207	-
Mayor and commissioners' bond	5,500	3,568	3,567	(1)
Public officials liability insurance	9,000	-	-	-
Emergency management agency	6,615	6,615	6,615	-
Recreation board operations	107,575	107,575	107,575	-
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	69,790	69,780	69,780	-
Airport board	5,000	5,000	5,000	-
Chamber of commerce	10,000	10,678	10,789	111
Fireworks	6,000	5,500	5,500	-
Rape crisis center	10,000	10,000	10,000	-
Tourism funding	10,000	10,199	10,199	-
Cynthiana-Harrison county museum	6,800	7,013	7,117	104
Humane society	1,000	1,000	1,000	-
Miscellaneous	39,300	31,001	35,037	4,036
CDBG westside redevelopment	143,980	81,000	27,000	(54,000)
E-911 share	60,175	60,175	60,175	-
Total public affairs	<u>663,835</u>	<u>581,904</u>	<u>532,504</u>	<u>(49,400)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC FINANCE				
Commissioner salary	\$ 10,250	\$ 10,240	\$ 10,241	\$ 1
Salaries	97,000	97,014	104,437	7,423
Overtime and holiday pay	536	490	490	-
Longevity pay	2,745	1,812	1,812	-
Retirement	25,000	23,611	23,558	(53)
Medical and hospital insurance	42,200	46,085	46,058	(27)
Social security	8,075	7,794	7,771	(23)
Workers' compensation	1,000	1,000	1,000	-
Employee Assistance Program	1,000	2,690	2,690	-
HR incentives	12,500	11,000	11,453	453
Employee training	2,500	800	800	-
Telephone	4,000	3,400	3,730	330
Insurance and fees	9,000	12,000	12,000	-
City auditor	9,000	8,500	8,500	-
Office supplies	10,000	11,000	10,586	(414)
Training	200	115	115	-
Computer lease	2,400	2,100	2,145	45
Computer maintenance	11,000	9,500	9,500	-
Clothing allowance	1,000	1,000	1,000	-
Miscellaneous	21,800	16,939	16,939	-
Tax assessment and bills	<u>19,500</u>	<u>18,260</u>	<u>18,260</u>	<u>-</u>
 Total public finance	 <u>290,706</u>	 <u>285,350</u>	 <u>293,085</u>	 <u>7,735</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-POLICE				
Commissioner salary	\$ 10,250	\$ 10,239	\$ 10,241	\$ 2
Policemen salaries	677,000	731,473	710,712	(20,761)
Police clerk / typist	64,603	47,150	47,000	(150)
Overtime pay	75,000	85,626	86,493	867
Holiday pay	26,000	18,000	17,558	(442)
Longevity pay	8,548	7,378	7,182	(196)
Policemen incentive pay	79,000	54,000	47,331	(6,669)
Employee retirement	366,300	336,749	336,626	(123)
Medical and hospital insurance	165,750	170,855	170,855	-
Social security	67,315	70,000	71,349	1,349
Workers' compensation	51,750	57,018	57,018	-
Police projects	1,500	3,679	4,633	954
Telephone	13,500	16,000	18,187	2,187
Insurance	74,000	73,816	73,816	-
Gas and oil	35,000	34,136	44,831	10,695
Supplies	17,000	15,650	30,022	14,372
Training ammunition	6,000	2,678	3,087	409
Training	8,000	11,828	15,678	3,850
Copier lease	2,300	2,800	2,936	136
Uniforms and body armor	10,500	6,166	7,013	847
Maintenance and repairs	19,000	13,665	17,024	3,359
Membership fees	4,500	2,600	2,955	355
Miscellaneous	35,500	50,251	48,890	(1,361)
Equipment	64,260	52,590	51,191	(1,399)
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety-police	<u>1,882,576</u>	<u>1,874,347</u>	<u>1,882,628</u>	<u>8,281</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-FIRE				
Firemen salaries	\$ 690,000	\$ 617,366	\$ 610,847	\$ (6,519)
Holiday pay	23,000	21,208	21,208	-
Overtime pay	75,000	116,000	115,326	(674)
Firemen incentive pay	78,000	74,365	73,333	(1,032)
Longevity pay	15,000	17,730	17,730	-
Employee retirement	340,000	348,200	344,314	(3,886)
Medical and hospital insurance	200,600	233,858	233,858	-
Social security	62,500	67,505	66,722	(783)
Workers' compensation	47,800	53,208	53,208	-
Telephone	5,000	4,078	4,345	267
Insurance for vehicles	30,000	24,000	24,000	-
Gas and oil	8,000	8,877	9,224	347
Supplies	20,000	6,084	6,281	197
Firefighting protective clothing	12,000	8,388	6,300	(2,088)
Travel and training	4,000	5,431	5,431	-
Training material	5,000	5,240	5,240	-
Fire prevention program materials	4,000	1,843	1,918	75
Uniforms	8,000	9,478	9,478	-
Maintenance and repairs	15,000	8,395	9,007	612
Membership fees	300	293	501	208
Equipment and tools	35,000	2,463	2,689	226
Miscellaneous	<u>2,000</u>	<u>1,876</u>	<u>1,896</u>	<u>20</u>
 Total public safety-fire	 <u>1,680,200</u>	 <u>1,635,886</u>	 <u>1,622,856</u>	 <u>(13,030)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-DISPATCH				
Radio operator salary	\$ 356,000	\$ 281,000	\$ 278,207	\$ (2,793)
Overtime pay	50,000	50,143	49,926	(217)
Holiday pay	10,831	2,697	2,697	-
Longevity pay	3,100	1,258	1,258	-
Employee retirement	99,244	72,560	71,780	(780)
Medical and hospital insurance	73,000	43,000	42,344	(656)
Social security	30,678	26,000	25,301	(699)
Workers' compensation	3,000	3,000	3,000	-
Telephone	1,400	1,587	1,785	198
Supplies	5,000	3,315	3,314	(1)
Utilities	5,500	15,164	15,942	778
Miscellaneous	<u>1,801</u>	<u>1,441</u>	<u>1,441</u>	<u>-</u>
Total dispatch	<u>639,554</u>	<u>501,165</u>	<u>496,995</u>	<u>(4,170)</u>
Total public safety	<u>4,202,330</u>	<u>4,011,398</u>	<u>4,002,479</u>	<u>(8,919)</u>
PUBLIC WORKS				
Commissioner salary	10,250	10,241	10,241	-
Salaries	178,000	216,327	216,381	54
Overtime and holiday pay	4,000	1,850	2,342	492
Longevity pay	5,054	6,130	6,130	-
Employee retirement	47,000	51,735	55,638	3,903
Medical and hospital insurance	70,150	58,934	58,934	-
Social security	15,000	17,425	17,433	8
Worker's compensation	21,000	20,000	20,000	-
Telephone	2,750	3,311	3,592	281
Insurance	33,750	18,033	18,033	-
Gas and oil	12,000	10,790	11,756	966
Supplies	15,000	11,000	11,081	81
Rental equipment	1,500	754	754	-
Training	1,200	715	715	-
Clothing allowance	6,000	4,868	4,869	1
Truck repairs	8,000	9,551	12,909	3,358
Leaf vacuum machine repairs	4,000	3,807	3,952	145
Backhoe repair	2,500	2,903	2,903	-
Miscellaneous repairs	81,500	23,735	26,149	2,414
Street signs	3,000	2,442	3,627	1,185
Contract Labor	-	2,250	2,250	-
Miscellaneous	550	141	141	-
Salt	<u>12,000</u>	<u>9,415</u>	<u>9,414</u>	<u>(1)</u>
Total public works	<u>534,204</u>	<u>486,357</u>	<u>499,244</u>	<u>12,887</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SANITATION				
Contract garbage service	\$ 328,200	\$ 380,455	\$ 325,966	\$ (54,489)
Total public sanitation	<u>328,200</u>	<u>380,455</u>	<u>325,966</u>	<u>(54,489)</u>
PUBLIC PROPERTY				
Overtime and holiday pay	-	72,000	69,343	(2,657)
Retirement	-	1,700	2,041	341
Social security	-	340	388	48
Insurance	20,000	14,980	14,980	-
Gas and oil	100	-	-	-
Supplies	43,000	49,480	51,231	1,751
Parking lot fees	1,150	1,150	1,150	-
Install and remove decorations	1,500	1,575	1,575	-
Utilities	200,500	211,400	218,320	6,920
Maintenance and repairs	-	12,538	12,538	-
Miscellaneous	37,200	3,010	6,341	3,331
Total public property	<u>303,450</u>	<u>368,173</u>	<u>377,907</u>	<u>9,734</u>
CODE ENFORCEMENT				
Telephone	1,350	1,200	1,200	-
Insurance	1,000	-	-	-
Miscellaneous	9,000	6,000	6,000	-
Total code enforcement	<u>11,350</u>	<u>7,200</u>	<u>7,200</u>	<u>-</u>
MAIN STREET				
Salaries	27,641	23,670	23,686	16
Social security	2,114	1,812	1,812	-
Workers' compensation	55	-	-	-
Telephone	1,400	700	748	48
Insurance	1,021	68	68	-
Retirement	6,650	5,697	5,699	2
Supplies	1,000	1,500	1,000	(500)
Total main street	<u>39,881</u>	<u>33,447</u>	<u>33,013</u>	<u>(434)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
Debt Service				
Public affairs	\$ 1,000	\$ -	\$ -	\$ -
Public safety - police	62,500	117,477	114,960	(2,517)
Public safety - fire	19,467	19,358	19,358	-
Public works	17,500	13,143	13,693	550
Public properties	<u>94,670</u>	<u>6,714</u>	<u>7,215</u>	<u>501</u>
 Total debt service	 <u>195,137</u>	 <u>156,692</u>	 <u>155,226</u>	 <u>(1,466)</u>
Capital Outlay				
Public safety - police	17,500	4,117	56,073	51,956
Public safety - fire	40,000	-	-	-
Public works	130,000	51,143	119,710	68,567
Public properties	<u>836,000</u>	<u>687,731</u>	<u>620,072</u>	<u>(67,659)</u>
 Total capital outlay	 <u>1,023,500</u>	 <u>742,991</u>	 <u>795,855</u>	 <u>52,864</u>
 TOTAL EXPENDITURES	 <u>7,592,593</u>	 <u>7,053,967</u>	 <u>7,022,479</u>	 <u>(31,488)</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (1,138,183)	 (445,109)	 (467,032)	 (21,923)
 OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	600,000	200,000	320,821	120,821
Proceeds from note agreements	210,000	214,316	216,266	1,950
Proceeds from sale of assets held for sale	330,000	210,000	-	(210,000)
Proceeds from disposal of capital assets	<u>-</u>	<u>-</u>	<u>4,750</u>	<u>4,750</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>1,140,000</u>	 <u>624,316</u>	 <u>541,837</u>	 <u>(82,479)</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 1,817</u>	 <u>\$ 179,207</u>	 <u>\$ 74,805</u>	 <u>\$ (104,402)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2020

	Enacted Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	\$ 132,000	\$ 136,900	\$ 127,434	\$ (9,466)
Other revenues	<u> -</u>	<u> -</u>	<u> 94</u>	<u> 94</u>
TOTAL REVENUES	<u>\$ 132,000</u>	<u>\$ 136,900</u>	<u>\$ 127,528</u>	<u>\$ (9,372)</u>
EXPENDITURES				
Capital outlay	<u>\$ 129,000</u>	<u>\$ 144,040</u>	<u>\$ 144,040</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 129,000</u>	<u>\$ 144,040</u>	<u>\$ 144,040</u>	<u>\$ -</u>

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net pension liability	0.0582%	0.0582%	0.0544%	0.0512%	0.0530%	0.0544%	0.0548%
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	\$ 3,852,491
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
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%	268.23%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

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 Seven Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net pension liability	0.2487%	0.2487%	0.2406%	0.2542%	0.2742%	0.2581%	0.2749%
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	\$ 7,592,556
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
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%	466.71%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 160,987	\$ 193,554	\$ 168,402	\$ 160,062	\$ 189,517	\$ 204,617	\$ 232,958	\$ 289,915
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>	<u>289,915</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,502,150
Employer contributions as a percentage of covered-employee payroll	11.22%	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 245,390	\$ 253,286	\$ 255,121	\$ 267,170	\$ 327,116	\$ 321,265	\$ 397,599	\$ 500,079
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>	<u>500,079</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,663,603
Employer contributions as a percentage of covered-employee payroll	20.10%	20.62%	20.73%	20.26%	21.71%	22.20%	24.44%	30.06%

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 Four Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net OPEB liability	0.0530%	0.0530%	0.0544%	0.0548%
City's proportionate share of the net OPEB liability (asset)	\$ 835,306	\$ 1,064,938	\$ 965,684	\$ 921,089
City's covered employee payroll	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	64.82%	78.39%	68.34%	64.13%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

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 Four Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net OPEB liability	0.2742%	0.2742%	0.2582%	0.2748%
City's proportionate share of the net OPEB liability (asset)	\$ 1,354,288	\$ 2,266,452	\$ 1,840,690	\$ 2,033,209
City's covered employee payroll	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	102.70%	150.42%	127.20%	124.98%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 88,402	\$ 72,547	\$ 64,984	\$ 59,798	\$ 64,259	\$ 66,416	\$ 75,546	\$ 71,502
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>	<u>71,502</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,502,150
Employer contributions as a percentage of covered-employee payroll	6.16%	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 213,648	\$ 162,070	\$ 167,127	\$ 167,344	\$ 140,881	\$ 135,307	\$ 167,432	\$ 158,375
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>	<u>158,375</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,663,603
Employer contributions as a percentage of covered-employee payroll	17.50%	13.19%	13.58%	12.69%	9.35%	9.35%	10.29%	9.52%

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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 assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF OPERATIONS
WATER AND SEWER FUND
for the year ended June 30, 2020

	Water	Sewer	Total
OPERATING REVENUES			
Water and sewer service	\$ 1,969,865	\$ 1,385,843	\$ 3,355,708
Other income	<u>76,057</u>	<u>57,128</u>	<u>133,185</u>
 Total operating revenues	 <u>2,045,922</u>	 <u>1,442,971</u>	 <u>3,488,893</u>
OPERATING EXPENSES			
Salaries	527,964	254,936	782,900
Overtime and holiday pay	13,010	4,535	17,545
Longevity pay	9,323	2,855	12,178
Accrued pay	26,026	11,979	38,005
Employee retirement	293,794	139,452	433,246
Medical and hospital insurance	141,625	56,516	198,141
Social security	41,257	19,847	61,104
Workers' compensation	9,142	5,400	14,542
Repairs	328,822	69,912	398,734
Electricity	141,315	136,646	277,961
Hauling	-	30,223	30,223
Consulting	2,250	8,882	11,132
Telephone	7,276	3,267	10,543
Insurance	59,886	38,225	98,111
Gas and oil	13,387	6,325	19,712
Postage	15,729	-	15,729
Chemicals	174,902	51,160	226,062
Analysis and testing	22,297	16,538	38,835
Professional Services	11,000	-	11,000
Office supplies	13,882	5,437	19,319
Other supplies	29,890	21,729	51,619
Travel and training	4,922	5,564	10,486
Clothing allowance	6,579	3,461	10,040
Miscellaneous	27,877	6,278	34,155
Depreciation	<u>507,908</u>	<u>483,644</u>	<u>991,552</u>
 Total operating expenses	 <u>2,430,063</u>	 <u>1,382,811</u>	 <u>3,812,874</u>
 OPERATING INCOME (LOSS)	 <u>\$ (384,141)</u>	 <u>\$ 60,160</u>	 <u>\$ (323,981)</u>

**CITY OF CYNTHIANA, KENTUCKY
WATER AND SEWER FUND
2005 ISSUE REVENUE BONDS
June 30, 2020**

Fiscal Year Ending June 30	Interest Rate	Principal	Interest	Total Requirement For the Year	Bonds Outstanding End of Year
					\$ 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	<u>43,000</u>	<u>1,774</u>	<u>44,774</u>	-
		<u>\$ 739,000</u>	<u>\$ 462,330</u>	<u>\$ 1,201,330</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, 2020**

Fiscal Year Ending June 30	Interest Rate	Principal	Interest	Total Requirement For the Year	Bonds Outstanding End of Year
					\$ 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	14,200	675	14,875	-
		<u>\$ 196,900</u>	<u>\$ 112,154</u>	<u>\$ 309,054</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, 2020**

Fiscal Year Ending June 30	Interest Rate	Principal	Interest	Total Requirement For the Year	Bonds Outstanding End of Year
					\$ 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>\$ 3,429,500</u>	<u>\$ 1,796,738</u>	<u>\$ 5,226,238</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, 2020, 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 June 1, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2020-001 and 2020-002).

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (2020-003).

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 questioned costs. 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
June 1, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and Board of Commissioners
City of Cynthiana, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Cynthiana, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Cynthiana, Kentucky's major federal programs for the year ended June 30, 2020. City of Cynthiana, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Cynthiana, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cynthiana, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cynthiana, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cynthiana, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City of Cynthiana, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cynthiana, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cynthiana, Kentucky's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
June 1, 2021

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2020

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Housing and Urban Development Passed through the Kentucky Department for Local Government Community Development Block Grant/State's Program	14.228	Loans Outstanding	N/A	\$ -	\$ 81,000
Total U.S. Department of Housing and Urban Development				<u>\$ -</u>	<u>\$ 81,000</u>
U.S. Department of the Treasury (TREAS) Passed through the Kentucky Department for Local Government COVID-19 - Coronavirus Relief Fund for States	21.019	N/A	3/1/20 - 6/30/20	\$ -	\$ 419,107
Total U.S. Department of the Treasury				<u>\$ -</u>	<u>\$ 419,107</u>
U.S. Environmental Protection Agency Passed through the Kentucky Infrastructure Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	F19-020	7/1/19 - 6/30/20	\$ -	\$ 879,862
Total U.S. Environmental Protection Agency				<u>\$ -</u>	<u>\$ 879,862</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 1,379,969</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Cynthiaiana, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 3 - Pass through or contract numbers will be presented if available.

**CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes No

Non-compliance material to financial statements noted Yes None reported

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Major Program:

CFDA Numbers

Name of Federal Program or Cluster

66.468 Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? Yes No

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2020-001 – Material Weakness – Audit Adjustments

Criteria:

The City is required to have internal controls over the period-end financial reporting process that enables the City to record and process year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

Condition:

Material misstatements were identified throughout the audit process.

Cause:

During the fiscal year, the City had complex activity related to construction projects, debt issuance, and material grant funds. Inexperience with this type of activity resulted in the City's unadjusted financial statements being materially misstated.

Effect:

Material audit adjustments were required so that the City's financial statements were fairly stated.

Recommendation:

We recommend the City review its controls over the fiscal year-end financial reporting process. We recommend when management encounters unusual or complex financial activity, that they engage a consultant to help management identify adjustments required so that its financial statements are fairly presented.

Response:

Management agrees with the auditors' recommendation and will consult with auditors on complex or unusual financial activity. Management will engage a consultant to help with fiscal year-end financial reporting and adjustments if needed.

2020-002 – Material Weakness – Bank Reconciliations

Criteria:

The City's internal control requires that all bank accounts are reconciled to the City's financial records monthly.

Condition:

Bank accounts were not reconciled for several months and some transactions were not recorded accurately.

Cause:

The City's internal controls were disrupted by changing personnel roles and the COVID-19 pandemic resulting in lockdowns and personnel working from home.

Effect:

Auditors identified several bank accounts that were not reconciled timely. Audit adjustments were needed in order for the City's fiscal year end financial statements to be fairly presented.

Recommendation:

We recommend that the City take steps to ensure that all bank accounts are reconciled monthly, and that all financial activity is recorded accurately. After year end, the City has taken steps in shifting personnel roles in order to ensure that bank reconciliations are being performed.

Response:

Management is updating the City's accounting software to improve controls over bank reconciliations to perform reconciliations timely and accurately.

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

2020-003 – 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.