

CITY OF CYNTHIANA
Cynthiana, Kentucky



FINANCIAL STATEMENTS
June 30, 2021

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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, 2021, 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, 2021, 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 40-58 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operations – water and sewer fund is the responsibility of management and was derived from and relates 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 is 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 March 3, 2022, 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
March 3, 2022

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, 2021. 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

- Occupational license fees increased slightly above last year's revenue even with the COVID-19 pandemic continuing.
- 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 continuing COVID-19 pandemic.
- The City closed out the Westside Redevelopment Project in Fiscal Year 2021.
- The City leased the Lerman Building in Fiscal Year 2021 with plans to promote economic development in the downtown area and transfer ownership in fiscal year 2022.
- Several new businesses opened in the downtown area
- COVID-19 pandemic continues to cause difficulty with staffing
- The City continues to work on the Energy Savings project to be completed in Fiscal Year 2022
- The City made major repairs/replacements to the water infrastructure. Most of the labor for these improvements was provided by the City workforce. There is a continuing multi-year plan to repair aging infrastructure
- Bridge Street Storm Drain Project was completed with a grant from the Governors discretionary funds
- The City will receive approximately 1.6 million dollars in American Rescue Plan Act funds, these funds will be received in two payments and may only be used for eligible expenses

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	\$ 2,878,483	\$ 907,475	\$ 3,785,958
Noncurrent and Capital Assets	10,207,744	21,473,542	31,681,286
Deferred Outflows of Resources	<u>2,803,081</u>	<u>856,239</u>	<u>3,659,320</u>
Total Assets and Deferred Outflows	<u>\$ 15,889,308</u>	<u>\$ 23,237,256</u>	<u>\$ 39,126,564</u>
Long-Term Accrued Leave Payable	\$ 306,888	\$ 105,360	\$ 412,248
Long-Term Debt	3,316,212	8,070,236	11,386,448
Net Pension and OPEB Liabilities	13,371,202	3,220,809	16,592,011
Other Current Liabilities	<u>265,201</u>	<u>182,314</u>	<u>447,515</u>
Total Liabilities	<u>\$ 17,259,503</u>	<u>\$ 11,578,719</u>	<u>\$ 28,838,222</u>
Deferred Inflows of Resources	<u>\$ 431,220</u>	<u>\$ 131,030</u>	<u>\$ 562,250</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,577,183	\$ 12,705,087	\$ 19,282,270
Restricted	314,349	698,219	1,012,568
Unrestricted	<u>(8,692,947)</u>	<u>(1,875,799)</u>	<u>(10,568,746)</u>
Total Net Position	<u>\$ (1,801,415)</u>	<u>\$ 11,527,507</u>	<u>\$ 9,726,092</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	\$ 376,466	\$ 3,666,590	\$ 4,043,056
Operating grants & contributions	1,325,106	-	1,325,106
Capital grants & contributions	124,461	-	124,461
Total Revenue	<u>1,826,033</u>	<u>3,666,590</u>	<u>5,492,623</u>
Program Expenses			
Public affairs	735,794	-	735,794
Public finance	340,504	-	340,504
Public safety-police	2,788,365	-	2,788,365
Public safety-fire	2,126,446	-	2,126,446
Public safety-dispatch	622,572	-	622,572
Public works	830,511	-	830,511
Public property	303,305	-	303,305
Sanitation	335,012	-	335,012
Code enforcement	12,058	-	12,058
Main street	47,394	-	47,394
Interest on long-term debt	210,810	-	210,810
Water	-	2,465,046	2,465,046
Sewer	-	1,496,106	1,496,106
Total Program Expenses	<u>8,352,771</u>	<u>3,961,152</u>	<u>12,313,923</u>
Net Revenues (Expenses)	<u>(6,526,738)</u>	<u>(294,562)</u>	<u>(6,821,300)</u>
General Revenues			
Taxes	776,077	-	776,077
License fees	4,440,223	-	4,440,223
Investment earnings	14,193	575	14,768
Miscellaneous	79,399	-	79,399
Total General Revenue	<u>5,309,892</u>	<u>575</u>	<u>5,310,467</u>
Gain (loss) on disposal	<u>(494,922)</u>	<u>12,927</u>	<u>(481,995)</u>
Net Change in Net Position	<u>\$ (1,711,768)</u>	<u>\$ (281,060)</u>	<u>\$ (1,992,828)</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	\$ 776,077	\$ -	\$ 776,077
Licenses and permits	4,440,223	-	4,440,223
Intergovernmental	1,325,106	124,461	1,325,106
Charges for services	376,466	-	376,466
Other revenue	<u>93,592</u>	<u>-</u>	<u>93,592</u>
Total revenues	<u>7,011,464</u>	<u>124,461</u>	<u>7,135,925</u>
Public affairs	654,242	-	654,242
Public finance	296,213	-	296,213
Public safety – police	1,984,041	-	1,984,041
Public safety-fire	1,490,229	-	1,490,229
Public safety-dispatch	487,688	-	487,688
Public works	539,326	-	539,326
Public property	299,017	-	299,017
Sanitation	335,012	-	335,012
Code enforcement	12,058	-	12,058
Main street	36,479	-	36,479
Debt service	884,020	-	884,020
Capital outlay	<u>2,903,548</u>	<u>153,008</u>	<u>3,056,556</u>
Total expenditures	<u>9,921,873</u>	<u>153,008</u>	<u>10,074,881</u>
Excess (deficiency) of revenues over expenses before other financing sources	<u>\$ (2,910,409)</u>	<u>\$ (28,547)</u>	<u>\$ (2,938,956)</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	\$ 761,725	\$ 776,077	\$ 14,352
Licenses and permits	4,430,957	4,440,223	9,266
Intergovernmental	1,509,747	1,325,106	(184,641)
Charges for services	370,000	376,466	6,466
Other revenues	<u>69,696</u>	<u>93,592</u>	<u>23,896</u>
Total revenues	<u>\$ 7,142,125</u>	<u>\$ 7,011,464</u>	<u>\$ (130,661)</u>

Table A-5

Condensed Governmental Funds - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Public affairs	\$ 632,062	\$ 654,242	\$ 22,180
Public finance	298,788	296,213	(2,575)
Public safety-police	1,927,961	1,984,041	56,080
Public safety-fire	1,471,494	1,490,229	18,735
Public safety-dispatch	493,815	487,688	(6,127)
Public works	505,945	539,326	33,381
Public sanitation	355,935	335,012	(20,923)
Public property	326,624	299,017	(27,607)
Code enforcement	11,918	12,058	140
Main street	36,354	36,479	125
Debt service	347,321	884,020	536,699
Capital outlay	<u>2,586,874</u>	<u>2,903,548</u>	<u>316,674</u>
Total	<u>\$ 8,995,091</u>	<u>\$ 9,921,873</u>	<u>\$ 926,782</u>

The City budgeted for a total of \$7,142,125 in revenues for 2021, but actual revenues totaled \$7,011,464. The City over budgeted revenues by \$103,661. A total of \$8,995,051 was budgeted for expenditures, but expenditures totaled \$9,921,873 for fiscal year 2021. The City was over budget on the expenses by \$926,782. 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	\$ 2,754,627	\$ -	\$ 2,754,627
Construction in progress	2,211,551	19,060	2,230,611
Infrastructure	3,956,071	-	3,956,071
Building & improvements	2,508,750	-	2,508,750
Vehicles & equipment	3,872,946	605,299	4,478,245
Water & sewer system	<u>-</u>	<u>42,120,974</u>	<u>42,120,974</u>
Total capital assets	<u>\$ 15,303,945</u>	<u>\$ 42,745,333</u>	<u>\$ 58,049,278</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	\$ 2,714,299	\$ 7,923,990	\$ 10,638,289
Capital Leases Payable	601,913	146,246	748,159
Total Debt Outstanding	<u>\$ 3,316,212</u>	<u>\$ 8,070,236</u>	<u>\$ 11,386,448</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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,693,199	\$ 392,392	\$ 2,085,591
Receivables, net	1,167,270	528,097	1,695,367
Prepaid assets	5,000	-	5,000
Internal balances	13,014	(13,014)	-
Total current assets	<u>2,878,483</u>	<u>907,475</u>	<u>3,785,958</u>
Noncurrent assets			
Restricted cash and cash equivalents	314,349	698,219	1,012,568
Capital assets			
Construction in progress	2,211,551	19,060	2,230,611
Land and improvements	2,754,627	-	2,754,627
Depreciable infrastructure, net	2,496,840	-	2,496,840
Depreciable buildings, property, and equipment, net	2,430,377	20,756,263	23,186,640
Total noncurrent assets	<u>10,207,744</u>	<u>21,473,542</u>	<u>31,681,286</u>
Total assets	<u>13,086,227</u>	<u>22,381,017</u>	<u>35,467,244</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows- pension	1,695,802	477,228	2,173,030
Deferred outflows- OPEB	1,107,279	379,011	1,486,290
Total deferred outflows of resources	<u>2,803,081</u>	<u>856,239</u>	<u>3,659,320</u>
Total assets and deferred outflows of resources	<u>\$ 15,889,308</u>	<u>\$ 23,237,256</u>	<u>\$ 39,126,564</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 128,527	\$ 37,828	\$ 166,355
Accrued leave payable	9,447	7,561	17,008
Accrued payroll liabilities	105,489	21,930	127,419
Accrued interest payable	21,738	54,670	76,408
Customer deposits	-	60,325	60,325
Capital leases, current	154,138	65,814	219,952
Bonds and notes payable, current	91,296	469,561	560,857
Total current liabilities	<u>510,635</u>	<u>717,689</u>	<u>1,228,324</u>
Noncurrent liabilities			
Accrued leave payable	306,888	105,360	412,248
Capital leases, net of current portion	447,775	80,432	528,207
Bonds and notes payable, net of current portion	2,623,003	7,454,429	10,077,432
Net pension liability	10,261,117	2,411,319	12,672,436
Net OPEB liability	3,110,085	809,490	3,919,575
Total noncurrent liabilities	<u>16,748,868</u>	<u>10,861,030</u>	<u>27,609,898</u>
Total liabilities	<u>17,259,503</u>	<u>11,578,719</u>	<u>28,838,222</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows- pension	34,517	-	34,517
Deferred inflows- OPEB	396,703	131,030	527,733
Total deferred inflows of resources	<u>431,220</u>	<u>131,030</u>	<u>562,250</u>
NET POSITION			
Net investment in capital assets	6,577,183	12,705,087	19,282,270
Restricted for:			
Debt service	-	689,729	689,729
Other purposes	314,349	8,490	322,839
Unrestricted	(8,692,947)	(1,875,799)	(10,568,746)
Total net position	<u>(1,801,415)</u>	<u>11,527,507</u>	<u>9,726,092</u>
Total liabilities, deferred inflows of resource, and net position	<u>\$ 15,889,308</u>	<u>\$ 23,237,256</u>	<u>\$ 39,126,564</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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Public affairs	\$ 735,794	\$ -	\$ -	\$ -	\$ (735,794)	\$ -	\$ (735,794)
Public finance	340,504	-	-	-	(340,504)	-	(340,504)
Public safety-police	2,788,365	-	734,734	-	(2,053,631)	-	(2,053,631)
Public safety-fire	2,126,446	-	95,018	-	(2,031,428)	-	(2,031,428)
Public safety-dispatch	622,572	-	495,354	-	(127,218)	-	(127,218)
Public works	830,511	-	-	124,461	(706,050)	-	(706,050)
Public property	303,305	-	-	-	(303,305)	-	(303,305)
Sanitation	335,012	376,466	-	-	41,454	-	41,454
Code enforcement	12,058	-	-	-	(12,058)	-	(12,058)
Main street	47,394	-	-	-	(47,394)	-	(47,394)
Interest on long-term debt	210,810	-	-	-	(210,810)	-	(210,810)
Total governmental activities	<u>8,352,771</u>	<u>376,466</u>	<u>1,325,106</u>	<u>124,461</u>	<u>(6,526,738)</u>	<u>-</u>	<u>(6,526,738)</u>
Business-type activities							
Water	2,465,046	2,162,896	-	-	-	(302,150)	(302,150)
Sewer	1,496,106	1,503,694	-	-	-	7,588	7,588
Total business-type activities	<u>3,961,152</u>	<u>3,666,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(294,562)</u>	<u>(294,562)</u>
Total primary government	<u>\$ 12,313,923</u>	<u>\$ 4,043,056</u>	<u>\$ 1,325,106</u>	<u>\$ 124,461</u>	<u>(6,526,738)</u>	<u>(294,562)</u>	<u>(6,821,300)</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes							
					776,077	-	776,077
License fees:							
Franchise							
					297,046	-	297,046
Insurance premiums							
					722,499	-	722,499
Occupational							
					3,204,159	-	3,204,159
Reg fee/ retail alcohol							
					176,471	-	176,471
Other							
					40,048	-	40,048
Investment earnings							
					14,193	575	14,768
Miscellaneous							
					79,399	-	79,399
Total general revenues							
					5,309,892	575	5,310,467
Gain (loss) on disposal of capital assets							
					(494,922)	12,927	(481,995)
Change in net position							
					(1,711,768)	(281,060)	(1,992,828)
Net position-beginning of year							
					(89,647)	11,808,567	11,718,920
NET POSITION-ENDING							
					\$ (1,801,415)	\$ 11,527,507	\$ 9,726,092

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

CITY OF CYNTHIANA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Municipal Road Aid	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,920,204	\$ 87,344	\$ 2,007,548
Receivables, net	1,008,404	-	1,008,404
Other receivable	109,548	-	109,548
Notes receivable, net	49,318	-	49,318
Prepaid assets	5,000	-	5,000
Due from other funds	13,014	-	13,014
Total assets	\$ 3,105,488	\$ 87,344	\$ 3,192,832
LIABILITIES			
Accounts payable	\$ 128,527	\$ -	\$ 128,527
Accrued leave payable	9,447	-	9,447
Accrued payroll liabilities	105,489	-	105,489
Total liabilities	243,463	-	243,463
FUND BALANCES			
Nonspendable	5,000	-	5,000
Restricted			
Tourism	13,477	-	13,477
MRA	-	87,344	87,344
Assigned			
Fire truck reserve	10,191	-	10,191
Unassigned	2,833,357	-	2,833,357
Total fund balances	2,862,025	87,344	2,949,369
Total liabilities and fund balances	\$ 3,105,488	\$ 87,344	\$ 3,192,832

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

Fund balances reported above	\$ 2,949,369
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,893,395
Accrued interest payable on long-term debt	(21,738)
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.	(14,622,441)
Net position of governmental activities	\$ (1,801,415)

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, 2021

	General	Municipal Road Aid	Total Governmental Funds
REVENUES			
Taxes	\$ 776,077	\$ -	\$ 776,077
Licenses and permits	4,440,223	-	4,440,223
Intergovernmental	1,325,106	124,461	1,449,567
Charges for services	376,466	-	376,466
Other revenues	93,592	-	93,592
Total revenues	7,011,464	124,461	7,135,925
EXPENDITURES			
Current			
Public affairs	654,242	-	654,242
Public finance	296,213	-	296,213
Public safety-police	1,984,041	-	1,984,041
Public safety-fire	1,490,229	-	1,490,229
Public safety-dispatch	487,688	-	487,688
Public works	539,326	-	539,326
Public property	299,017	-	299,017
Sanitation	335,012	-	335,012
Code enforcement	12,058	-	12,058
Main street	36,479	-	36,479
Debt service	884,020	-	884,020
Capital outlay	2,903,548	153,008	3,056,556
Total expenditures	9,921,873	153,008	10,074,881
Excess (deficiency) of revenues over expenditures	(2,910,409)	(28,547)	(2,938,956)
Other financing sources:			
Proceeds from capital lease	312,064	-	312,064
Proceeds from note agreements	2,655,000	-	2,655,000
Proceeds from disposal of capital assets	331,624	-	331,624
Total other financing sources	3,298,688	-	3,298,688
Net change in fund balances	388,279	(28,547)	359,732
Fund balances-beginning	2,473,746	115,891	2,589,637
Fund balances-ending	\$ 2,862,025	\$ 87,344	\$ 2,949,369
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 359,732
Add: capital outlay expenditures			3,056,556
Add: debt service expenditures			884,020
Less: loss on disposal of assets			(494,922)
Less: interest on long-term debt			(99,611)
Less: bond issuance cost			(89,461)
Less: proceeds from capital lease			(312,064)
Less: proceeds from sale and disposal of assets			(331,624)
Less: proceeds from notes			(2,655,000)
Less: change in accrued interest payable			(21,738)
Less: change in net pension liability			(1,165,828)
Less: change in net OPEB liability			(303,708)
Less: change in long-term accrued leave payable			(29,174)
Less: depreciation on governmental activities assets			(508,946)
Change in net position Governmental Activities			\$ (1,711,768)

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

	Business-type Activities
	Water & Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 392,392
Receivables	528,097
Total current assets	920,489
Noncurrent assets	
Restricted cash and cash equivalents	698,219
Capital assets	
Construction in progress	19,060
Vehicles and equipment	605,299
Utility systems	42,120,974
Less: accumulated depreciation	(21,970,010)
Total noncurrent assets	21,473,542
Total assets	22,394,031
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	477,228
Deferred outflows - OPEB	379,011
Total deferred outflows of resources	856,239
Total assets and deferred outflows of resources	\$ 23,250,270
LIABILITIES	
Current liabilities	
Accounts payable	\$ 37,828
Accrued payroll liabilities	21,930
Accrued interest payable	54,670
Customer deposits	60,325
Capital leases, current	65,814
Bonds and notes payable, current	469,561
Due to other funds	13,014
Total current liabilities	723,142
Noncurrent liabilities	
Compensated absences	112,921
Capital leases, net of current portion	80,432
Bonds and notes payable, net of current portion	7,454,429
Net pension liability	2,411,319
Net OPEB liability	809,490
Total noncurrent liabilities	10,868,591
Total liabilities	11,591,733
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	-
Deferred inflows - OPEB	131,030
Total deferred inflows of resources	131,030
NET POSITION	
Net investment in capital assets	12,705,087
Restricted	698,219
Unrestricted	(1,875,799)
Total net position	11,527,507
Total liabilities and net position	\$ 23,250,270

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, 2021**

	Business-type Activities
	Water & Sewer Fund
Operating revenues	
Charges for services	\$ 3,532,384
Other revenues	134,206
Total operating revenues	3,666,590
Operating expenses	
Salaries and employee benefits	1,605,786
Material and supplies	76,496
Repairs and maintenance	396,462
Electricity	251,627
Chemicals	226,233
Other	296,625
Depreciation	927,753
Total operating expenses	3,780,982
Operating income (loss)	(114,392)
Nonoperating revenues (expenses)	
Investment earnings	575
Gain on disposal of capital assets	12,927
Interest expense	(180,170)
Total nonoperating revenues (expenses)	(166,668)
Change in net position	(281,060)
Total net position-beginning	11,808,567
TOTAL NET POSITION-ENDING	\$ 11,527,507

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, 2021

	<u>Business-Type Activities Water & Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,626,493
Payments to suppliers	(1,339,366)
Payments for employee services and benefits	(1,280,233)
Customer deposits received	6,291
Customer deposits returned	(4,866)
	1,008,319
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase (decrease) in interfund loans	(17,607)
	(17,607)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(95,634)
Proceeds from sale of capital assets	12,927
Principal paid on long-term debt	(1,638,156)
Proceeds from issuance of debt	1,195,277
Interest paid on long-term debt	(191,845)
	(717,431)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	575
	575
Net increase (decrease) in cash and cash equivalents	273,856
Cash and cash equivalents - beginning of the year	816,755
	816,755
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 1,090,611
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (114,392)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	927,753
Net change in pension liability	273,380
Net change in OPEB liability	47,116
Change in assets and liabilities:	
Receivables, net	(40,097)
Customer deposits	1,425
Accounts and other payables	(91,923)
Accrued expenses	5,057
	5,057
Net cash provided by (used in) operating activities	\$ 1,008,319
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 392,392
Restricted assets - cash and cash equivalents	698,219
Total cash and cash equivalents	\$ 1,090,611
Schedule of non-cash activities	
Capital assets purchased with capital lease	\$ 38,946

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 March 3, 2022, 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, 2021, 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 uninsured, 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 from 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, 2021 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 \$3,098,159 and the bank balances totaled \$3,308,822. \$1,135,234 was covered by FDIC insurance and \$2,173,588 was collateralized by custodial banks.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	\$ 15,287	\$ -	\$ -	\$ 15,287
Licenses, permits, billings	993,117	-	-	993,117
Intergovernmental	109,548	-	-	109,548
Customers	-	-	528,097	528,097
Notes	<u>238,318</u>	<u>-</u>	<u>-</u>	<u>238,318</u>
Gross receivables	1,356,270	-	528,097	1,884,367
Less: allowance for uncollectible	<u>(189,000)</u>	<u>-</u>	<u>-</u>	<u>(189,000)</u>
Net receivables	<u>\$ 1,167,270</u>	<u>\$ -</u>	<u>\$ 528,097</u>	<u>\$ 1,695,367</u>

4. CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets not being depreciated:				
Land and improvements	\$ 2,744,627	\$ 10,000	\$ -	\$ 2,754,627
Construction in progress	<u>313,031</u>	<u>2,102,111</u>	<u>(203,591)</u>	<u>2,211,551</u>
Total	<u>3,057,658</u>	<u>2,112,111</u>	<u>(203,591)</u>	<u>4,966,178</u>
Capital assets being depreciated:				
Buildings and improvements	2,508,750	-	-	2,508,750
Vehicles and equipment	<u>3,204,358</u>	<u>791,435</u>	<u>(122,847)</u>	<u>3,872,946</u>
Total	<u>5,713,108</u>	<u>791,435</u>	<u>(122,847)</u>	<u>6,381,696</u>
Total non-infrastructure assets	<u>8,770,766</u>	<u>2,903,546</u>	<u>(326,438)</u>	<u>11,347,874</u>
Infrastructure assets	<u>3,599,470</u>	<u>356,601</u>	<u>-</u>	<u>3,956,071</u>
Total capital assets	<u>12,370,236</u>	<u>3,260,147</u>	<u>(326,438)</u>	<u>15,303,945</u>
Less: accumulated depreciation:				
Buildings and improvements	1,160,495	79,052	-	1,239,547
Vehicles and equipment	2,576,478	258,141	(122,847)	2,711,772
Infrastructure assets	<u>1,287,478</u>	<u>171,753</u>	<u>-</u>	<u>1,459,231</u>
Total	<u>5,024,451</u>	<u>508,946</u>	<u>(122,847)</u>	<u>5,410,550</u>
Governmental activities capital assets, net	<u>\$ 7,345,785</u>	<u>\$ 2,751,201</u>	<u>\$ (203,591)</u>	<u>\$ 9,893,395</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities:</u>	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Construction in progress	\$ 19,060	\$ -	\$ -	\$ 19,060
Equipment and vehicles	598,670	47,480	(40,851)	605,299
Water system	17,607,584	80,700	-	17,688,284
Sewer system	<u>24,505,690</u>	<u>6,400</u>	<u>(79,400)</u>	<u>24,432,690</u>
Total capital assets	42,731,004	134,580	(120,251)	42,745,333
Less: accumulated depreciation	<u>21,162,508</u>	<u>927,753</u>	<u>(120,251)</u>	<u>21,970,010</u>
Capital assets, net	<u>\$ 21,568,496</u>	<u>\$ (793,173)</u>	<u>\$ -</u>	<u>\$ 20,775,323</u>

Depreciation expense was charged to the governmental functions as follows:

Public affairs	\$ 81,552
Public safety - police	160,289
Public safety - fire	63,673
Public works	201,239
Public property	<u>2,193</u>
Total	<u>\$ 508,946</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

Bonds and 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, 2021, had a net book value of \$95,668, is collateral on the loan. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 24,193	\$ 1,431	\$ 25,624
2023	24,715	909	25,624
2024	<u>26,978</u>	<u>376</u>	<u>27,354</u>
	<u>\$ 75,886</u>	<u>\$ 2,716</u>	<u>\$ 78,602</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)

Bonds and 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%. The City paid off the notes during the year ended June 30, 2021.

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the governmental activities and water and sewer fund and has been recorded equally in both activities. The loan was set to mature on December 31, 2020, at which date all principal and accrued interest is due in a lump sum payment. The loan was refinanced during the year with a revised maturity date of September 23, 2027. The rate of interest on the loan is 3.351%. The maintenance building, which as of June 30, 2021, had a net book value of \$477,726 is collateral on the loan. The principal balance at June 30, 2021 in the governmental activities is \$191,201. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 7,414	\$ 6,381	\$ 13,795
2023	7,670	6,125	13,795
2024	7,918	5,876	13,794
2025	8,208	5,587	13,795
2026	8,491	5,304	13,795
2027-2028	<u>151,500</u>	<u>5,010</u>	<u>156,510</u>
	<u>\$ 191,201</u>	<u>\$ 34,283</u>	<u>\$ 225,484</u>

On July 1, 2020, the City issued Series 2020C Revenue 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 in the governmental activities and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds in the business-type activities. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due semi-annually, beginning on February 1, 2021 and set to mature on February 1, 2043. The principal balance for the governmental activities portion of the bonds at June 30, 2021, is \$2,095,000. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 45,000	\$ 51,041	\$ 96,041
2023	80,000	49,700	129,700
2024	80,000	47,900	127,900
2025	85,000	46,053	131,053
2026	90,000	44,094	134,094
2027-2031	455,000	190,272	645,272
2032-2036	590,000	130,115	720,115
2037-2041	<u>670,000</u>	<u>49,495</u>	<u>719,495</u>
	<u>\$ 2,095,000</u>	<u>\$ 608,670</u>	<u>\$ 2,703,670</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)

Bonds and notes payable, continued

In January 2021, the City financed a fire truck for \$360,000. The loan is for 59 months with payments beginning January 31, 2021 at an interest rate of 2.13%. The fire truck, which as of June 30, 2021, had a net book value of \$343,772 is collateral on the loan. The principal balance at June 30, 2021 is \$352,212. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 14,689	\$ 7,462	\$ 22,151
2023	15,009	7,142	22,151
2024	15,318	6,833	22,151
2025	15,670	6,481	22,151
2026	<u>291,526</u>	<u>3,138</u>	<u>294,664</u>
	<u>\$ 352,212</u>	<u>\$ 31,056</u>	<u>\$ 383,268</u>

Capital lease obligations

The City has 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 2021 and 2020, totaled \$165,141 and \$110,385, 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, 2021
Police	\$ 788,504	\$ 323,652	\$ 464,852
Public Works	<u>121,747</u>	<u>32,232</u>	<u>89,515</u>
Total	<u>\$ 910,251</u>	<u>\$ 355,884</u>	<u>\$ 554,367</u>

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

Year Ended	Principal	Interest	Total
2022	\$ 154,135	\$ 38,725	\$ 192,860
2023	158,026	24,519	182,545
2024	168,797	12,231	181,028
2025	75,240	4,087	79,327
2026	<u>45,715</u>	<u>431</u>	<u>46,146</u>
Total	<u>\$ 601,913</u>	<u>\$ 79,993</u>	<u>\$ 681,906</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2020	Additions	Retirements	June 30, 2021	Current Portion
Bond and notes payable	\$ 606,736	\$ 2,655,000	\$ (547,437)	\$ 2,714,299	\$ 91,296
Capital lease payable	437,362	312,064	(147,513)	601,913	154,138
Accrued leave	277,715	29,173	-	306,888	-
Net pension liability	9,325,292	935,825	-	10,261,117	-
Net OPEB liability	<u>2,398,678</u>	<u>711,407</u>	<u>-</u>	<u>3,110,085</u>	<u>-</u>
Total	<u>\$ 13,045,783</u>	<u>\$ 4,643,469</u>	<u>\$ (694,950)</u>	<u>\$ 16,994,302</u>	<u>\$ 245,434</u>

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

Bonds and notes payable

The June 30, 2021 summary of bonds and notes payable of the Water and Sewer Fund is as follows:

	Amount Issued	Interest Rate	Balance Outstanding 7/01/20	Issued (Retired) During Year	Balance Outstanding 6/30/21
2015 Series	\$ 3,590,000	2.5%	\$ 3,429,500	\$ (56,500)	\$ 3,373,000
2005 Series	\$ 900,000	4.125%	739,000	(739,000)	-
KIA Loan	\$ 5,887,374	1.00%	2,264,142	(292,190)	1,971,952
2000 Series	\$ 270,000	4.75%	196,900	(196,900)	-
KIA Loan	\$ 754,539	0.75%	513,050	(26,725)	486,325
KIA Loan	\$ 972,600	0.50%	972,600	(46,087)	926,513
Building Loan	\$ 200,000	4.00%	200,000	(200,000)	-
2020C Series	\$ 995,000	2.00%	-	975,000	975,000
Building Loan	\$ 200,000	3.35%	<u>-</u>	<u>191,200</u>	<u>191,200</u>
			<u>\$ 8,315,192</u>	<u>\$ (391,202)</u>	<u>\$ 7,923,990</u>

Revenue Bonds Payable at June 30, 2021, 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%. The 2000 Series Bonds were refinanced by the 2020C Series Bonds issued in July 2020. Net revenue bonds payable balance at June 30, 2021, is \$0.

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%. The 2000 Series Bonds were refinanced by the 2020C Series Bonds issued in July 2020. Net revenue bonds payable balance at June 30, 2021, is \$0.

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 \$1,971,952 at June 30, 2021.

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, 2021 is \$3,373,000.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Bonds and notes payable, continued

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 \$486,325 at June 30, 2021.

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 \$926,513 at June 30, 2021.

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 governmental activities and water and sewer fund and has been recorded equally in both activities. 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 loan was refinanced during the year with a revised maturity date of September 23, 2027. The rate of interest on the loan is 3.351%. The maintenance building, which as of June 30, 2021, had a net book value of \$477,726 is collateral on the loan. The principal balance at June 30, 2021 in the water and sewer fund is \$191,200.

On July 1, 2020, the City issued Series 2020C Revenue 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 in the governmental activities and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds in the business-type activities. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due semi-annually, beginning on February 1, 2021 and set to mature on February 1, 2043. The principal balance for the business-type activities portion of the bonds at June 30, 2021, is \$995,000.

Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 469,561	\$ 141,952	\$ 611,513
2023	474,712	136,051	610,763
2024	485,386	130,043	615,429
2025	491,135	123,843	614,978
2026	496,911	117,567	614,978
2027-2031	1,560,671	490,200	2,050,871
2032-2036	1,042,206	397,005	1,439,211
2037-2041	1,011,405	297,808	1,309,213
2042-2046	650,500	201,713	852,213
2047-2051	649,500	123,650	773,150
2052-2055	<u>592,003</u>	<u>37,487</u>	<u>629,490</u>
	<u>\$ 7,923,990</u>	<u>\$ 2,197,319</u>	<u>\$10,121,309</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Capital lease obligations

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 2021 and 2020 totaled \$52,530 and \$46,417, 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, 2021
Water	\$ 224,001	\$ 101,711	\$ 122,290
Sewer	<u>57,022</u>	<u>39,321</u>	<u>17,701</u>
Total	<u>\$ 281,023</u>	<u>\$ 141,032</u>	<u>\$ 139,991</u>

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

Year Ended	Principal	Interest	Total
2022	\$ 65,814	\$ 10,023	\$ 75,837
2023	41,777	4,758	46,535
2024	23,478	1,735	25,213
2025	7,370	1,106	8,476
2026	<u>7,807</u>	<u>351</u>	<u>8,158</u>
Total	<u>\$ 146,246</u>	<u>\$ 17,973</u>	<u>\$ 164,219</u>

Changes in long term debt

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

	July 1, 2020	Additions	Retirements	June 30, 2021	Current Portion
Bonds and Notes	\$ 8,315,192	\$ 1,195,277	\$ (1,586,479)	\$ 7,923,990	\$ 469,561
Capital lease payable	158,977	38,946	(51,677)	146,246	65,814
Accrued leave	99,573	5,787	-	105,360	-
Net pension liability	2,119,755	291,564	-	2,411,319	-
Net OPEB liability	<u>555,620</u>	<u>253,870</u>	<u>-</u>	<u>809,490</u>	<u>-</u>
Total	<u>\$ 11,249,117</u>	<u>\$ 1,785,444</u>	<u>\$ (1,638,156)</u>	<u>\$ 11,396,405</u>	<u>\$ 535,375</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, 2021

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, 2021, 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, 2021, participating employers contributed 24.06% 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, 2021, the City contributed \$290,249 or 100% of the required contribution for non-hazardous job classifications, and \$494,205, for the year ended June 30, 2021, 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, 2021

7. RETIREMENT PLAN (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	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, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
\$ <u>12,672,436</u>	\$ <u>4,377,068</u>	\$ <u>8,295,368</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 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, 2020 was as follows:

Non-hazardous	Hazardous
.0571%	.2751%

The proportionate share at June 30, 2020 increased .0023% for non-hazardous and increased .0003% for hazardous compared to the proportionate share as of June 30, 2019.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2021, the City recognized pension expense of \$2,179,340. At June 30, 2021, 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	\$ 366,422	\$ -
Changes of assumptions	485,524	-
Net difference between projected and actual earnings on Plan Investments	296,405	-
Changes in proportion and differences between City contributions and proportionate share of contributions	289,280	34,517
City contributions subsequent to the measurement date	<u>735,399</u>	<u>-</u>
Total	<u>\$ 2,173,030</u>	<u>\$ 34,517</u>

The \$735,399 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, 2022. Contributions exclude \$49,055 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,

2022	\$ 659,929
2023	\$ 413,138
2024	\$ 192,313
2025	\$ 137,734

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were 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 2020. 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, 2021

7. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		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 23-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	
1% decrease	5.25%	\$ 5,397,878		5.25%	\$ 10,251,894	
Current discount rate	6.25%	\$ 4,377,068		6.25%	\$ 8,295,368	
1% increase	7.25%	\$ 3,531,799		7.25%	\$ 6,698,326	

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$101,225 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. 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, 2021, 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 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. 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, 2021, the City contributed \$71,585, or 100% of the required contribution for non-hazardous job classifications, and \$156,515, 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, 2021

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, 2021, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
\$ <u>3,919,575</u>	\$ <u>1,377,850</u>	\$ <u>2,541,725</u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 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, 2020 was as follows:

Non-hazardous	Hazardous
.0571%	.2750%

The proportionate share at June 30, 2020 increased .0029% for non-hazardous and increased .0002% for hazardous compared to the proportionate share as of June 30, 2019.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$623,531. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 317,432	\$ 484,209
Changes of assumptions	654,316	3,799
Net difference between projected and actual earnings on Plan investments	158,623	-
Changes in proportion and differences between City contributions and proportionate share of contributions	96,930	39,725
City contributions subsequent to the measurement date	<u>258,989</u>	<u>-</u>
Total	<u>\$ 1,486,290</u>	<u>\$ 527,733</u>

The \$258,989 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, 2022. Contributions exclude \$14,870 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$45,759, which is 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,		
2022	\$	189,596
2023	\$	149,834
2024	\$	176,429
2025	\$	151,263
2026	\$	32,446

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

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 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	
Post – 65:	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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
Healthcare trend	
Pre – 65:	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post – 65:	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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, 2019, 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, 2019) to the plan's fiscal year ending June 30, 2020.

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% and 5.30% 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 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” 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.

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	4.34%	\$ 1,770,132	4.30%	\$ 3,450,325
Current discount rate	5.34%	\$ 1,377,850	5.30%	\$ 2,541,725
1% increase	6.34%	\$ 1,055,655	6.30%	\$ 1,809,577

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		\$ 1,066,800		\$ 1,816,391
Current trend rate		\$ 1,377,850		\$ 2,541,725
1% increase		\$ 1,755,316		\$ 3,433,460

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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2021 were levied in September 2020, 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, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Assets available for sale	\$ 826,546	\$ 13,472	\$ (840,018)	\$ -

During 2021, the City sold four homes and deeded one parcel of land to be developed by the Cynthiana-Harrison County Housing Assistance, Inc. The project was completed in June 2021.

13. LOAN RECEIVABLE

The City has forgivable loan agreements related to the sale of seven 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, 2020, and 2021 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, 2021 was \$189,000.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

13. LOAN RECEIVABLE (CONTINUED)

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, 2021 was \$49,318.

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. The City had until December 31, 2017 to satisfy all of the respective grant 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. The 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. The City received notice in June 2021 from the department of local government that all required steps relevant to closeout of the project have been completed.

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 \$224,578 at June 30, 2021.

16. COVID-19 PANDEMIC

Since 2020, various restrictions have been 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 continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
Property taxes				
Real estate and tangible	\$ 540,000	\$ 550,600	\$ 549,533	\$ (1,067)
Public service companies	64,000	59,928	56,075	(3,853)
Bank shares	56,000	68,528	68,527	(1)
Payment in lieu of taxes	8,300	8,003	13,920	5,917
Penalties	9,000	11,200	18,012	6,812
Motor vehicle	60,000	58,500	60,360	1,860
Real estate and tangible prior year	<u>15,000</u>	<u>4,966</u>	<u>9,650</u>	<u>4,684</u>
	<u>752,300</u>	<u>761,725</u>	<u>776,077</u>	<u>14,352</u>
Licenses, permits and billings				
Occupational license fees	2,675,000	2,802,000	2,825,892	23,892
Occupational license net profits fees	175,000	417,000	378,267	(38,733)
Privilege license fees	3,100	2,450	2,665	215
Liquor and beer licenses	19,000	20,510	20,510	-
Insurance premium license fees	675,000	705,000	722,499	17,499
Residential rental licenses	10,000	11,130	11,310	180
Utility franchise licenses	327,000	297,200	297,046	(154)
Reg fee/ retail alcohol	160,000	170,000	176,471	6,471
Tourism license fee	<u>5,000</u>	<u>5,667</u>	<u>5,563</u>	<u>(104)</u>
	<u>4,049,100</u>	<u>4,430,957</u>	<u>4,440,223</u>	<u>9,266</u>
Intergovernmental revenue				
Police incentive pay	105,900	90,000	90,934	934
Fire incentive pay	103,000	92,840	95,018	2,178
E-911 reimbursement	585,000	365,005	495,354	130,349
FEMA	-	7,253	7,253	-
Other grants	<u>506,969</u>	<u>954,649</u>	<u>636,547</u>	<u>(318,102)</u>
	<u>1,300,869</u>	<u>1,509,747</u>	<u>1,325,106</u>	<u>(184,641)</u>
Charges for service				
Sanitation fees	<u>365,000</u>	<u>370,000</u>	<u>376,466</u>	<u>6,466</u>
Other revenues				
Parking tickets	50	20	20	-
Interest income	17,000	15,400	14,193	(1,207)
Miscellaneous	<u>44,950</u>	<u>54,276</u>	<u>79,379</u>	<u>25,103</u>
	<u>62,000</u>	<u>69,696</u>	<u>93,592</u>	<u>23,896</u>
TOTAL REVENUES	<u>\$ 6,529,269</u>	<u>\$ 7,142,125</u>	<u>\$ 7,011,464</u>	<u>\$ (130,661)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC AFFAIRS				
Mayor's salary	\$ 32,023	\$ 31,450	\$ 31,404	\$ (46)
City attorney expense	18,156	18,260	18,256	(4)
Other legal expenses	3,000	5,906	5,292	(614)
Other professional services	500	-	-	-
Medical and hospital insurance	31,000	30,740	27,098	(3,642)
Social security	3,783	3,710	3,799	89
City picnic	3,500	-	-	-
Telephone	1,200	1,000	864	(136)
Website	300	515	514	(1)
Office supplies	3,000	1,500	1,471	(29)
Travel and training	500	250	250	-
Publishing	10,000	9,000	7,696	(1,304)
Membership dues	1,975	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	4,000	4,235	4,234	(1)
Public officials liability insurance	9,000	-	-	-
Emergency management agency	6,615	6,615	6,615	-
Recreation board operations	126,755	126,755	126,755	-
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	69,780	69,780	69,780	-
Airport board	5,000	5,000	5,000	-
Chamber of commerce	10,000	11,017	11,120	103
Fireworks	6,000	6,000	6,000	-
Rape crisis center	10,000	15,000	15,000	-
Tourism funding	10,000	8,500	12,909	4,409
Cynthiana-Harrison county museum	7,000	7,000	6,808	(192)
Humane society	1,000	1,000	1,000	-
Miscellaneous	36,300	46,649	55,197	8,548
CDBG westside redevelopment	54,000	108,000	123,000	15,000
E-911 share	42,500	42,500	42,500	-
Total public affairs	<u>576,687</u>	<u>632,062</u>	<u>654,242</u>	<u>22,180</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC FINANCE				
Commissioner salary	\$ 10,477	\$ 10,580	\$ 10,576	\$ (4)
Salaries	98,000	99,780	99,704	(76)
Overtime and holiday pay	500	90	90	-
Longevity pay	1,875	1,753	1,753	-
Retirement	24,400	24,000	24,025	25
Medical and hospital insurance	50,000	48,882	45,258	(3,624)
Social security	8,160	7,883	7,970	87
Workers' compensation	1,200	5,014	5,014	-
Employee Assistance Program	3,000	-	-	-
HR incentives	12,000	11,780	11,800	20
Employee training	2,500	-	-	-
Telephone	3,600	4,000	3,812	(188)
Insurance and fees	12,000	12,000	12,000	-
City auditor	8,500	8,500	8,500	-
Office supplies	12,000	10,600	10,999	399
Training	200	200	200	-
Computer lease	2,300	2,200	2,322	122
Computer maintenance	10,000	10,000	10,000	-
Clothing allowance	1,000	1,000	1,108	108
Miscellaneous	26,700	19,963	20,518	555
Policies and procedures update	5,000	-	-	-
Tax assessment and bills	19,000	20,563	20,564	1
	312,412	298,788	296,213	(2,575)
Total public finance	312,412	298,788	296,213	(2,575)

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-POLICE				
Commissioner salary	\$ 10,500	\$ 10,470	\$ 10,576	\$ 106
Policemen salaries	740,000	719,252	727,441	8,189
Police clerk / typist	36,600	34,640	34,716	76
Overtime pay	50,000	109,000	107,771	(1,229)
Holiday pay	19,500	13,970	13,969	(1)
Longevity pay	5,000	5,800	5,798	(2)
Policemen incentive pay	76,000	66,930	66,931	1
Part-time police salaries	21,500	-	-	-
Employee retirement	365,000	358,050	367,989	9,939
Medical and hospital insurance	175,000	151,485	157,317	5,832
Social security	71,000	72,051	72,097	46
Workers' compensation	59,000	56,714	56,713	(1)
Professional services	1,000	-	-	-
Police projects	14,500	8,735	8,660	(75)
Telephone	16,000	19,650	21,304	1,654
Insurance	75,000	66,311	66,312	1
Gas and oil	36,000	44,238	55,023	10,785
Supplies	15,000	14,000	14,878	878
Training ammunition	6,000	9,505	6,504	(3,001)
Training	15,000	10,750	10,798	48
Copier lease	3,000	3,100	3,620	520
Uniforms and body armor	15,000	19,400	19,148	(252)
Maintenance and repairs	14,000	26,146	33,653	7,507
Membership fees	3,000	2,411	2,786	375
Miscellaneous	45,000	51,471	52,019	548
Equipment	<u>57,700</u>	<u>53,882</u>	<u>68,018</u>	<u>14,136</u>
 Total public safety-police	 <u>1,945,300</u>	 <u>1,927,961</u>	 <u>1,984,041</u>	 <u>56,080</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-FIRE				
Firemen salaries	\$ 680,000	\$ 563,000	\$ 563,219	\$ 219
Holiday pay	24,000	21,000	20,954	(46)
Overtime pay	100,000	113,450	112,502	(948)
Firemen incentive pay	74,000	61,012	63,999	2,987
Longevity pay	14,266	19,183	19,183	-
Employee retirement	340,700	301,850	313,011	11,161
Medical and hospital insurance	236,500	205,503	201,733	(3,770)
Social security	63,000	57,340	57,478	138
Workers' compensation	55,000	44,980	43,249	(1,731)
Telephone	4,400	3,845	4,164	319
Insurance for vehicles	25,000	25,000	26,945	1,945
Gas and oil	10,000	10,010	12,430	2,420
Supplies	12,000	2,900	3,321	421
Firefighting protective clothing	8,000	782	782	-
Travel and training	2,500	2,800	2,718	(82)
Training material	2,500	1,931	1,931	-
Fire prevention program materials	2,000	543	544	1
Uniforms	8,000	7,000	6,985	(15)
Maintenance and repairs	10,500	11,000	11,812	812
Membership fees	300	85	85	-
Equipment and tools	17,500	16,505	14,584	(1,921)
Miscellaneous	<u>2,200</u>	<u>1,775</u>	<u>8,600</u>	<u>6,825</u>
Total public safety-fire	<u>1,692,366</u>	<u>1,471,494</u>	<u>1,490,229</u>	<u>18,735</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-DISPATCH				
Radio operator salary	\$ 350,000	\$ 270,000	\$ 264,799	\$ (5,201)
Overtime pay	50,000	53,763	53,837	74
Holiday pay	10,000	2,400	2,347	(53)
Longevity pay	1,300	1,830	1,829	(1)
Employee retirement	87,000	74,200	73,421	(779)
Medical and hospital insurance	45,000	48,000	46,577	(1,423)
Social security	26,000	24,600	24,577	(23)
Workers' compensation	3,000	-	-	-
Telephone	1,500	2,530	2,904	374
Supplies	3,500	3,500	3,470	(30)
Utilities	7,500	12,533	13,470	937
Miscellaneous	<u>700</u>	<u>459</u>	<u>457</u>	<u>(2)</u>
 Total dispatch	 <u>585,500</u>	 <u>493,815</u>	 <u>487,688</u>	 <u>(6,127)</u>
 Total public safety	 <u>4,223,166</u>	 <u>3,893,270</u>	 <u>3,961,958</u>	 <u>68,688</u>
 PUBLIC WORKS				
Commissioner salary	10,500	10,500	10,576	76
Salaries	175,000	208,000	208,818	818
Overtime and holiday pay	2,500	3,200	3,117	(83)
Longevity pay	3,750	3,947	3,947	-
Employee retirement	45,750	52,600	52,560	(40)
Medical and hospital insurance	65,000	67,070	67,171	101
Social security	13,835	16,900	16,802	(98)
Worker's compensation	20,000	21,200	20,552	(648)
Telephone	3,000	3,700	4,063	363
Insurance	30,000	-	15,173	15,173
Gas and oil	12,000	12,500	13,498	998
Supplies	12,500	12,000	12,014	14
Rental equipment	1,500	1,450	1,450	-
Training	1,200	730	530	(200)
Clothing allowance	5,000	3,800	3,793	(7)
Truck repairs	8,000	4,958	12,113	7,155
Leaf vacuum machine repairs	4,000	5,123	5,122	(1)
Backhoe repair	2,500	6,650	6,646	(4)
Miscellaneous repairs	66,500	50,231	59,829	9,598
Street signs	3,000	2,450	2,529	79
Miscellaneous	500	318	405	87
Salt	<u>10,000</u>	<u>18,618</u>	<u>18,618</u>	<u>-</u>
 Total public works	 <u>496,035</u>	 <u>505,945</u>	 <u>539,326</u>	 <u>33,381</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SANITATION				
Contract garbage service	\$ 360,000	\$ 355,935	\$ 335,012	\$ (20,923)
Total public sanitation	<u>360,000</u>	<u>355,935</u>	<u>335,012</u>	<u>(20,923)</u>
PUBLIC PROPERTY				
Overtime and holiday pay	50,000	3,000	2,939	(61)
Retirement	3,000	1,170	1,164	(6)
Social security	400	218	218	-
Insurance	16,000	32,616	17,616	(15,000)
Gas and oil	-	151	151	-
Supplies	50,000	32,000	29,905	(2,095)
Parking lot fees	1,150	2,300	2,300	-
Install and remove decorations	1,600	1,657	1,657	-
Utilities	221,000	199,700	205,556	5,856
Maintenance and repairs	34,000	18,234	18,234	-
Miscellaneous	<u>38,500</u>	<u>35,578</u>	<u>19,277</u>	<u>(16,301)</u>
Total public property	<u>415,650</u>	<u>326,624</u>	<u>299,017</u>	<u>(27,607)</u>
CODE ENFORCEMENT				
Telephone	1,400	1,105	1,205	100
Supplies	-	-	40	40
Miscellaneous	<u>6,000</u>	<u>10,813</u>	<u>10,813</u>	<u>-</u>
Total code enforcement	<u>7,400</u>	<u>11,918</u>	<u>12,058</u>	<u>140</u>
MAIN STREET				
Salaries	25,150	25,156	25,204	48
Social security	2,200	1,925	1,928	3
Workers' compensation	-	-	-	-
Telephone	750	645	705	60
Insurance	-	4	4	-
Projects	-	1,074	1,074	-
Retirement	6,000	6,050	6,064	14
Supplies	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total main street	<u>35,600</u>	<u>36,354</u>	<u>36,479</u>	<u>125</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
Debt Service				
Public affairs	\$ -	\$ -	\$ -	\$ -
Public safety - police	138,000	167,000	166,553	(447)
Public safety - fire	25,764	37,415	37,422	7
Public works	41,000	50,050	252,152	202,102
Public properties	<u>230,670</u>	<u>92,856</u>	<u>427,893</u>	<u>335,037</u>
 Total debt service	 <u>435,434</u>	 <u>347,321</u>	 <u>884,020</u>	 <u>536,699</u>
 Capital Outlay				
Public safety - police	29,000	30,290	288,651	258,361
Public safety - fire	92,500	370,299	370,299	-
Public works	379,000	265,871	314,141	48,270
Public properties	<u>1,940,000</u>	<u>1,920,414</u>	<u>1,930,457</u>	<u>10,043</u>
 Total capital outlay	 <u>2,440,500</u>	 <u>2,586,874</u>	 <u>2,903,548</u>	 <u>316,674</u>
 TOTAL EXPENDITURES	 <u>9,302,884</u>	 <u>8,995,091</u>	 <u>9,921,873</u>	 <u>926,782</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (2,773,615)	 (1,852,966)	 (2,910,409)	 (1,057,443)
 OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	312,064	312,064
Proceeds from note agreements	2,285,000	2,269,934	2,655,000	385,066
Proceeds from sale of assets held for sale	220,000	94,672	310,374	215,702
Proceeds from disposal of capital assets	<u>-</u>	<u>-</u>	<u>21,250</u>	<u>21,250</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>2,505,000</u>	 <u>2,364,606</u>	 <u>3,298,688</u>	 <u>934,082</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (268,615)</u>	 <u>\$ 511,640</u>	 <u>\$ 388,279</u>	 <u>\$ (123,361)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2021

	Enacted Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	\$ 132,000	\$ 123,022	\$ 124,461	\$ 1,439
Other revenues	<u>-</u>	<u>10</u>	<u>-</u>	<u>(10)</u>
TOTAL REVENUES	<u>\$ 132,000</u>	<u>\$ 123,032</u>	<u>\$ 124,461</u>	<u>\$ 1,429</u>
EXPENDITURES				
Capital outlay	<u>\$ 132,000</u>	<u>\$ 153,008</u>	<u>\$ 153,008</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 132,000</u>	<u>\$ 153,008</u>	<u>\$ 153,008</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (29,976)</u>	<u>\$ (28,547)</u>	<u>\$ (1,429)</u>

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.0582%	0.0582%	0.0544%	0.0512%	0.0530%	0.0544%	0.0548%	0.0571%
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	\$ 4,377,068
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
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%	291.39%
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%	47.81%

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 Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.2487%	0.2487%	0.2406%	0.2542%	0.2742%	0.2581%	0.2749%	0.2751%
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	\$ 8,295,368
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
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%	498.64%
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%	44.11%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 160,987	\$ 193,554	\$ 168,402	\$ 160,062	\$ 189,517	\$ 204,617	\$ 232,958	\$ 289,915	\$ 290,249
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>	<u>290,249</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,503,881
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%	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 Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 245,390	\$ 253,286	\$ 255,121	\$ 267,170	\$ 327,116	\$ 321,265	\$ 397,599	\$ 500,079	\$ 494,205
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>	<u>494,205</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,644,063
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%	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 Five Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.0530%	0.0530%	0.0544%	0.0548%	0.0571%
City's proportionate share of the net OPEB liability (asset)	\$ 835,306	\$ 1,064,938	\$ 965,684	\$ 921,089	\$ 1,377,850
City's covered employee payroll	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150
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%	91.73%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

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 Five Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.2742%	0.2742%	0.2582%	0.2748%	0.2750%
City's proportionate share of the net OPEB liability (asset)	\$ 1,354,288	\$ 2,266,452	\$ 1,840,690	\$ 2,033,209	\$ 2,541,725
City's covered employee payroll	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603
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%	152.78%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 88,402	\$ 72,547	\$ 64,984	\$ 59,798	\$ 64,259	\$ 66,416	\$ 75,546	\$ 71,502	\$ 71,585
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>	<u>71,585</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,503,881
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%	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 Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 213,648	\$ 162,070	\$ 167,127	\$ 167,344	\$ 140,881	\$ 135,307	\$ 167,432	\$ 158,375	\$ 156,515
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>	<u>156,515</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,644,063
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%	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, 2021

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, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

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 for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

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 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, 2017, for both pension and OPEB:

- 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%

CITY OF CYNTHIANA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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.

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, 2021

	Water	Sewer	Total
OPERATING REVENUES			
Water and sewer service	\$ 2,084,194	\$ 1,448,190	\$ 3,532,384
Other income	<u>78,702</u>	<u>55,504</u>	<u>134,206</u>
 Total operating revenues	 <u>2,162,896</u>	 <u>1,503,694</u>	 <u>3,666,590</u>
OPERATING EXPENSES			
Salaries	533,116	266,400	799,516
Overtime and holiday pay	22,078	3,663	25,741
Longevity pay	7,155	1,566	8,721
Accrued pay	21,149	-	21,149
Employee retirement	348,741	168,497	517,238
Medical and hospital insurance	98,183	49,606	147,789
Social security	42,281	20,351	62,632
Workers' compensation	17,000	6,000	23,000
Repairs	315,809	80,653	396,462
Electricity	130,128	121,499	251,627
Hauling	-	27,475	27,475
Consulting	22,636	1,125	23,761
Telephone	6,850	4,105	10,955
Insurance	69,619	45,000	114,619
Gas and oil	14,112	6,323	20,435
Postage	4,536	-	4,536
Chemicals	128,804	64,953	193,757
Analysis and testing	12,329	20,147	32,476
Professional services	12,000	6,000	18,000
Bond fees	32,054	-	32,054
Office supplies	11,787	3,801	15,588
Other supplies	36,898	19,474	56,372
Travel and training	4,138	1,279	5,417
Clothing allowance	3,746	2,267	6,013
Miscellaneous	29,721	8,175	37,896
Depreciation	<u>450,091</u>	<u>477,662</u>	<u>927,753</u>
 Total operating expenses	 <u>2,374,961</u>	 <u>1,406,021</u>	 <u>3,780,982</u>
 OPERATING INCOME (LOSS)	 <u>\$ (212,065)</u>	 <u>\$ 97,673</u>	 <u>\$ (114,392)</u>



**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, 2021, 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 March 3, 2022.

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 (2021-001 and 2021-002).

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 (2021-003).

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
March 3, 2022

**CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2021**

FINDING:

2021-001 – Material Weakness – Audit Adjustments (Recurring)

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. These material audit adjustments contributed to the City exceeding budgeted amounts in the general fund.

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.

2021-002 – Material Weakness – Bank Reconciliations (Recurring)

Criteria:

The City should have internal controls in place that ensure that all bank accounts are reconciled to the City's financial records monthly and have a secondary review of bank reconciliations to ensure proper oversight over the process.

Condition:

Bank accounts were not reconciled for several months through the first half of fiscal year 2021. The City Clerk began preparing the bank reconciliations, but there is no longer a review process from an individual other than the individual preparing the bank reconciliation. This has compromised segregation of duties.

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. Also, the City does not have proper segregation of duties related to preparation and review of bank reconciliations.

**CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2021**

FINDING:

2021-002 – Material Weakness – Bank Reconciliations (Recurring), continued

Recommendation:

We recommend that the City take steps to ensure that all bank accounts are reconciled monthly, and that the City implement a secondary review of bank reconciliations to provide oversight and mitigate risks from lack of segregation of duties.

Response:

Management is updating the City's accounting software to improve controls over bank reconciliations to perform reconciliations timely and accurately. The City has plans to budget an additional staff member to improve controls and segregation of duties.

2021-003 – 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.