

CITY OF WEST BUECHEL, KENTUCKY
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
JUNE 30, 2019

ANNUAL FINANCIAL REPORT
CITY OF WEST BUECHEL, KENTUCKY

Year Ended June 30, 2019

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STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of West Buechel, Kentucky

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities and each fund, of the City of West Buechel, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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. Because of the issues described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion on the Financial Statements as a Whole

The City has not maintained certain accounting records and supporting documentation for receivables, payables, expenditures, receipts, debt, capital assets, and minutes/ordinances and did not have adequate internal controls. Beginning net position and fund balance could not be tested. Those charged with governance did not provide the written representations requested by the auditor. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine whether or not these financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America. We were unable to satisfy ourselves by alternative auditing procedures.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Financial Statements as a Whole" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as a whole. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the, Schedule of City's Proportionate Share of Net Pension Liability, Schedule of City's Contributions County Employees Retirement System, Schedule of City's Proportionate Share of Net Pension OPEB Liability, and Schedule of City's Contributions OPEB County Employees Retirement System 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. Because of the significance of the matter described above in the "Basis for Disclaimer of Opinion on the Financial Statements as a Whole" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2021 on our consideration of the City of West Buechel, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of West Buechel, Kentucky's internal control over financial reporting and compliance.

Stuedle Spears & Company PSC

STUEDLE SPEARS & COMPANY PSC

March 5, 2021

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Total
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,047,838	\$ 1,047,838
Certificates of Deposit	15,364	15,364
Receivables		
Taxes	514,738	514,738
Road Aid	76,639	76,639
Due From Road Fund	1,000	1,000
Total Current Assets	1,655,579	1,655,579
Noncurrent Assets:		
Capital Assets (Net)	1,006,487	1,006,487
Total Noncurrent Assets	1,006,487	1,006,487
Total Assets	2,662,066	2,662,066
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflow of Resources OPEB	326,508	326,508
Deferred Outflow of Resources Pension	1,281,766	1,281,766
Total Deferred Outflow of Resources	1,608,274	1,608,274
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Bond Payable	15,000	15,000
Accounts Payable	31,818	31,818
Accrued Payroll Liabilities	40,651	40,651
Accrued Vacation	23,310	23,310
Due to General Fund	1,000	1,000
Total Current Liabilities	111,779	111,779
Noncurrent Liabilities		
Bond Payable	128,750	128,750
Net OPEB Liability	908,412	908,412
Net Pension Liability	3,088,996	3,088,996
Total Noncurrent Liabilities	4,126,158	4,126,158
Total Liabilities	4,237,937	4,237,937
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow of Resources OPEB	215,392	215,392
Deferred Inflow of Resources Pension	521,842	521,842
Deferred Inflow of Resources Taxes	314,443	314,443
Deferred Inflow of Resources Road Aid	76,639	76,639
Deferred Inflow of Resources Delinquent Property Taxes	147,355	147,355
Total Deferred Inflow of Resources	1,275,671	1,275,671
NET POSITION		
Invested in Capital Assets, Net of Related Debt	862,738	862,738
Restricted for Police Programs	9,451	9,451
Unrestricted	(2,115,457)	(2,115,457)
Total Net Position	\$ (1,243,268)	\$ (1,243,268)

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities
Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions		
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 929,795	\$ -	\$ -	\$ -	\$ (929,795)
Police Department	896,274	-	-	24,490	(871,784)
Public Works	222,206	-	-	-	(222,206)
Code Enforcement	96,620	-	-	-	(96,620)
Community Center	68,026	-	-	-	(68,026)
Other	9,908	-	-	-	(9,908)
Pension Expense	713,286	-	-	-	(713,286)
Interest on Long-Term Debt	4,836	-	-	-	(4,836)
Unallocated Depreciation	86,102	-	-	-	(86,102)
Undocumented Disbursements	114,474	-	-	-	(114,474)
Total Governmental Activities	3,141,527	-	-	24,490	(3,117,037)
Total Primary Government	\$ 3,141,527	\$ -	\$ -	\$ 24,490	\$ (3,117,037)
General Revenues:					
				\$	2,129,690
Taxes					107,606
Fines					21,813
License and Fees					19,303
Police Forfeiture					18,219
Other					1,197
Gain on Sale of Asset					13
Interest					1,177,265
Undocumented					3,475,106
Total General Revenues					358,069
Change in Net Position					(1,601,337)
Net Position - Beginning of Year					\$ (1,243,268)
Net Position - June 30, 2019					\$ (1,243,268)

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,047,838	\$ -	\$ 1,047,838
Certificates of Deposit	15,364	-	15,364
Taxes Receivable	514,738	-	514,738
Due From Other Funds	1,000	-	1,000
Total Assets	<u>\$ 1,578,940</u>	<u>\$ -</u>	<u>\$ 1,578,940</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 31,818	\$ -	\$ 31,818
Accrued Payroll Liabilities	40,651	-	40,651
Accrued Vacation	23,310	-	23,310
Due To Other Funds	-	1,000	1,000
Total Liabilities	<u>95,779</u>	<u>1,000</u>	<u>96,779</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue	461,798	-	461,798
Total Deferred Inflows of Resources	461,798	-	461,798
FUND BALANCE			
Restricted for:			
Road Maintenance	-	(1,000)	(1,000)
Police Department	9,451	-	9,451
Unassigned, reported in:			
General Fund	1,011,912	-	1,011,912
Total Fund Balance	<u>1,021,363</u>	<u>(1,000)</u>	<u>1,020,363</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,578,940</u>	<u>\$ -</u>	<u>\$ 1,578,940</u>

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	\$	1,020,363
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,025,191		1,006,487
Deferred outflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		1,608,274
Deferred inflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		(737,234)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but are presented in statement of net position:		
Net Bond Payable		(143,750)
Net OPEB Liability		(908,412)
Net Pension Liability		(3,088,996)
		(3,088,996)
Net Position of Governmental Activities	\$	(1,243,268)

See accompanying notes to financial statements

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Road Maintenance Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,129,690	\$ -	\$ 2,129,690
Fines	107,606	-	107,606
Intergovernmental	24,490	-	24,490
License and fees	21,813	-	21,813
Police Forfeiture	19,303	-	19,303
Other	18,219	-	18,219
Interest	13	-	13
Undocumented	1,177,265	-	1,177,265
Total Revenue	3,498,399	-	3,498,399
EXPENDITURES			
General Government	965,144	-	965,144
Police Department	955,465	-	955,465
Public works	292,429	-	292,429
Code Enforcement	109,219	-	109,219
Community Center	68,026	-	68,026
Roads and Sidewalks	57,842	-	57,842
Other	8,908	1,000	9,908
Undocumented Disbursements	114,474	-	114,474
Total Expenditures	2,571,507	1,000	2,572,507
Net Change in Fund Balance	926,892	(1,000)	925,892
Fund balances-Beginning of year	94,471	\$ -	\$ 94,471
Fund balances-June 30, 2019	\$ 1,021,363	\$ (1,000)	\$ 1,020,363

See accompanying notes to financial statements

CITY OF WEST BUECHEL, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - Total Governmental Funds \$ 925,892

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	218,203
Loss on disposal of asset	(1,638)
Depreciation expense	<u>(86,102)</u>
	130,463

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principle reduces long-term liabilities in the Statement of Net Position. 15,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefor are not reported as expenditures in the governmental funds. This amount related to:

Pension and OPEB expense	<u>(713,286)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 358,069</u></u>

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's financial statements are prepared in accordance with accounting principles generally accepted in the U.S (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

1.A. FINANCIAL REPORTING ENTITY

The City of West Buechel, Kentucky (the City) is a home rule city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, gross receipts tax, occupational taxes, insurance premium taxes, business licenses, municipal road aid, and base court revenue. Those revenues susceptible to accrual are property taxes, gross receipts tax, occupational taxes, insurance premium taxes and municipal road aid.

All significant activities and organizations on which the City of West Buechel, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2019. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial Interdependency – The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority – The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. The authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in the City Council.

Following consideration of the above criteria, no additional entities are deemed to be component units of the City.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the City accompanied by a total column.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.B. BASIS OF PRESENTATION (CONTINUED)

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As of June 30, 2019, the City did not have any business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 % of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 % of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Road Fund is presented as a special revenue fund.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year for which they are levied.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

Investments

Investments of the primary government are valued at fair market value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments of the City comply with the Kentucky Revised Statutes 66.480 concerning the types of investments allowed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end, but not yet received within 60 days from the close of the year. Major receivable balances for the government activities primarily include property taxes, occupational taxes, and insurance taxes. Property taxes receivable represents property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. The portion of the property tax receivable not received within 60 days from the close of the year is offset to deferred inflows of resources delinquent property taxes. Road aid receivable represents road aid receivable which are measurable as of June 30, 2019. The portion of the road aid receivable not received within 60 days from the close of the year is offset to deferred inflows of resources road aid.

In the fund financial statements, material receivables in government funds include revenue accruals such as property tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Property taxes receivable represents property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Property taxes receivable represents property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. The portion of the property tax receivable not received within 60 days from the close of the year is offset to deferred inflows of resources unavailable revenue.

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2003 the City was required to keep a record of all infrastructure assets placed in service from that date forward.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Fixed Assets (Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings 30-40 years
Improvements 10-20 years
Furniture and Fixtures 5 to 15 years
Machinery and Equipment 5 -15 years
Vehicles 5 to 10 years
Infrastructure 7 to 25 years

Inventories

Disbursements for inventory type items are considered expenditures at the time of purchase.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has four items that qualify for reporting in this category. These include the City's pension contributions made subsequent to the measurement date, differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments and changes in assumptions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has reported in this category resources relating to property taxes, municipal road aid, and advanced collection of gross receipts taxes. The City has reported in this category resources relating to change in proportion and differences between employer contributions and proportionate share of contributions. Refer to the Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension in Note 4.A, Retirement Plan and the Post- Employment Benefits Other than Pensions (OPEB).

In the governmental funds balance sheet, the City has reported unavailable revenue. The unavailable revenue is from two sources: property taxes and advanced collection of gross receipts taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Due to and Due from Other Funds

Activities between funds that are representative outstanding balances at the end of the fiscal year are referred to as either "due to/from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The balances reported on the Governmental Funds Balance Sheet represents due from the Road Fund to the General Fund that resulted from lack of funds in Road Fund account to pay bank service charges.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Accounts Payable

Accounts payable consists of trades payable to vendors who provide goods and services to the City.

Compensated Absences

All unpaid, compensated absences that will be liquidated with expendable available financial resources have been accrued as a liability in the General Fund. In the combined government-wide statement of net position, the total amount of unpaid, compensated absences is reported within accrued wages and benefits. Earned vacation pay may be paid upon termination of employment.

Pensions

For the 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 terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the City's 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 CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured at June 30, 2018.

Equity Classifications

Government-wide Statements:

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consist of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Equity Classifications (Continued)

Fund Financial Statements:

The City of West Buechel adopted GASB 54, Fund Balance Reporting and governmental Fund Type Definitions. 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 that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Mayor or designee may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax Revenue

The City assesses property taxes in July of each calendar year (.213 per \$100 of assessed value) based upon an assessment date of January 1st. Bills are mailed on October 1st payable by January 2nd of the next calendar year. Bills paid on or before November 1st are allowed a 2% discount; bills paid after that date, but before January 2nd are not allowed a discount nor are subject to a penalty. All bills not paid after January 2nd, but before June 30th of the following year are charged a 10% penalty plus 12% interest per annum. Bills paid after July 1st are charged an additional 10% penalty above what was previously described and accrue interest charges until paid.

Occupational License Tax

The City assesses an occupational tax of 1.5% of wages on persons who work within the City of West Buechel in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing wages and tax withholdings. The maximum liability for an individual under this ordinance is \$50,000.

Gross Receipts Taxes

The City imposed a tax of .25% of gross receipts for business operating within the City with a minimum fee of \$500.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.E. REVENUES, EXPENDITURES, AND EXPENSES (CONTINUED)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by character: current, debt service, and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

1.F. ESTIMATES

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. DEPOSITS AND INVESTMENTS

The City maintains their cash and investment accounts with local banks. Cash consists of direct deposit accounts and investments consist of two certificates of deposit. At June 30, 2019 the carrying amount of unrestricted cash and investments was \$1,063,202 and the bank balance was \$1,110,449.

In accordance with Kentucky Revised Statute (KRS) 66.480, the deposits are to be insured by the federal depository insurance or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), it shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS.66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$845,096 of the City's bank balances of \$1,110,449 was exposed to custodial credit risk as described below. \$402,750 of the City's deposits was covered by Federal depository insurance at June 30, 2019.

The City of West Buechel, Kentucky categorizes deposits at local financial institutions to give an indication of the level of custodial credit risk assumed by the City at fiscal year end.

The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

2.A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits categorized by level of risk at June 30, 2019 are as follows:

Account	Bank Balance	Category			Carrying Amount
		1	2	3	
Total	\$ 1,110,449	\$ -	\$ -	\$ 845,096	\$ 0

Investments consist of two certificates of deposit with an original maturity date of greater than 90 days.

INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting Standards Codification (“ASC”) Topic 820, “Fair Value Measurements and Disclosures”, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of Deposit: Valued at the current market value at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of June 30, 2019.

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 15,364	\$ -	\$ 15,364

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 3— DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. ACCOUNTS RECEIVABLE

Receivable Type	Statement of Net Position Governmental Activities	Balance Sheet- Governmental Funds
Property Tax	\$ 154,807	\$ 154,807
Occupational Tax	264,459	264,459
Insurance Premium Tax	82,158	82,158
Municipal Road Aid	76,639	-
Business License	10,778	10,778
Accounts Receivable-Other	2,536	2,536
Total Receivables	<u>\$ 591,377</u>	<u>\$ 514,738</u>

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Governmental activities:				
Land	\$ 241,497	\$ -	\$ -	\$ 241,497
Buildings	848,900	28,338	-	877,238
Vehicles	451,024	80,389	94,707	436,706
Equipment	50,000	13,799	-	63,799
Furniture and Fixtures			-	-
Infrastructure	316,761	95,677	-	412,438
CIP	<u>1,908,182</u>	<u>218,203</u>	<u>94,707</u>	<u>2,031,678</u>
Totals at historical cost				
Less accumulated depreciation				
Buildings	(517,248)	(13,565)	-	(530,813)
Vehicles	(352,459)	(44,106)	(93,069)	(303,496)
Equipment	(5,000)	(11,030)	-	(16,030)
Infrastructure	<u>(157,451)</u>	<u>(17,401)</u>	<u>-</u>	<u>(174,852)</u>
Total accumulated depreciation	(1,032,158)	(86,102)	(93,069)	(1,025,191)
Net capital assets	<u>\$ 876,024</u>	<u>\$ (86,102)</u>	<u>\$ (93,069)</u>	<u>\$ 1,006,487</u>

3.C. LONG-TERM DEBT

On July 31, 2012, the City entered into an agreement with the Kentucky Bond Corporation to finance the acquisition, construction, and installation of a building to be used as a maintenance garage by the City. The note payable had an initial principal balance of \$260,000 and matures on January 1, 2027. The amount due as of June 30, 2019 was \$143,750 with the current portion due in one year being \$15,000 as of June 30, 2019.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

3.C. LONG-TERM DEBT (CONTINUED)

The following is a schedule of the annual debt service requirements to maturity for the City:

Year end	Principle	Interest	Fees	Debt Service
6/30/2020	\$ 15,000	\$ 3,739	\$ 809	\$ 19,548
6/30/2021	17,084	3,431	772	21,287
6/30/2022	20,000	3,053	729	23,782
6/30/2023	20,000	2,577	679	23,256
6/30/2024	20,000	2,066	629	22,695
6/30/2025-27	<u>51,666</u>	<u>2,827</u>	<u>1,400</u>	<u>55,893</u>
	<u>\$ 143,750</u>	<u>\$ 17,693</u>	<u>\$ 5,018</u>	<u>\$ 166,461</u>

Long-term debt activity for the fiscal year ended June 30, 2019 was as follows

	Beginning Balance	Additions	Reductions	Ending Balance
Note Payable	\$ <u>158,750</u>	\$ <u>-</u>	\$ <u>15,000</u>	\$ <u>143,750</u>
	<u>\$ 158,750</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 143,750</u>

NOTE 4— OTHER NOTES

4.A. EMPLOYEE PENSION PLAN

Plan Description- The City contributes to the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. 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.

CERS was created by the Kentucky General Assembly. Benefits are fully vested immediately upon reaching 60 months of service and are established by state statutes. Benefits of CERS members are calculated on the basis of age, final average salary and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

For the fiscal year ended June 30, 2019 the City's covered payroll for hazardous and non-hazardous positions was \$563,650. Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2019.

Contributions - For the year ended June 30, 2019, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications and 35.34% of each employee's wages for hazardous job classifications.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 4.A. Employee Pension Plan other postemployment benefits. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications and 24.87% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

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

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

For the year ended June 30, 2019, the City contributed \$46,265 for non-hazardous job classifications, and \$150,125 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 WEST BUECHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION 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
	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, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Net Pension Liability - nonhazardous	\$ 691,676
Net Pension Liability - hazardous	2,397,320
Total	<u>\$ 3,088,996</u>

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability of \$3,088,996 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was .0114% for non-hazardous and .0991% for hazardous.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

For the year ended June 30, 2019, the City recognized pension expense of \$902,637. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 213,347	\$ 10,125
Assumption Change	322,784	-0-
Investment Experience	121,020	156,355
Changes in proportion and differences between employer contributions and proportionate share of contributions	487,143	355,362
City contributions subsequent to the measurement date	137,472	-0-
Total	\$ 1,281,766	\$ 521,842

The \$137,472 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ 491,393
2021	170,904
2022	(25,306)
2023	(14,538)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled- forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return was determined by using a building-block method in which best estimates 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.97%	17.50%
Non- U.S. Equity	6.50%	17.50%
Global Bonds	3.00%	4.00%
Credit Fixed	8.50%	24.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Private Equity	6.50%	10.00%
Cash	1.50%	2.00%
	6.09%	100.00%

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination 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%	\$ 870,748	1% decrease	5.25%	\$ 3,003,685
Current discount rate	6.25%	691,676	Current discount rate	6.25%	2,397,320
1% increase	7.25%	541,645	1% increase	7.25%	1,896,045

Payable to the Pension Plan - At June 30, 2019, the City reported a payable of \$15,413 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided.

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

**CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2019 was 5.26% of covered payroll. For the year ended June 30, 2019, contributions to the Insurance Fund from the City were \$13,879 for non-hazardous job classifications, and \$45,038, for hazardous job classifications. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50%
Healthcare Trend Rate	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality table used for active members is PR-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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

CITY OF WEST BUECHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

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

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 rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.97%	17.50%
Non- U.S. Equity	6.50%	17.50%
Global Bonds	3.00%	4.00%
Credit Fixed	8.50%	24.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Private Equity	6.50%	10.00%
Cash	1.50%	2.00%
	<u>6.09%</u>	<u>100.00%</u>

**CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate follows:

Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net OPEB liability		Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 150,312	1% decrease	4.97%	\$ 486,086
Current discount rate	5.85%	201,641	Current discount rate	5.97%	706,771
1% increase	6.85%	262,365	1% increase	6.97%	985,970

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

Non-hazardous			Hazardous		
		City's proportionate share of net OPEB liability			City's proportionate share of net OPEB liability
1% decrease		\$ 150,124	1% decrease		\$ 481,345
Current healthcare rate		201,641	Current healthcare rate		706,771
1% increase		262,365	1% increase		985,970

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits - CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

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

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

Net OPEB Liability - nonhazardous	\$	201,641
Net OPEB Liability - hazardous		706,771
Total		908,412

OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability of \$908,412 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2018. This method to be reflective of the employers' long-term contribution effort. At June 30, 2018, the City's proportion was 0.011357% for nonhazardous and .099132% for hazardous.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$58,917. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ -0-	\$ 102,483
Assumption Change	257,160	2,399
Investment Experience	-0-	81,080
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,431	29,430
City contributions subsequent to the measurement date	58,917	-0-
Total	<u>\$ 326,508</u>	<u>\$ 215,392</u>

The \$58,917 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2020	\$ 36,832
2021	36,832
2022	(2,176)
2023	(18,670)
2024	118
Thereafter	(737)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

**CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

4.B. INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police incentive training and other miscellaneous operating costs during the year ended June 30, 2019 that are recorded in the General Fund.

4.C. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2019 are as follows:

		Interfund Receivable		Interfund Payable
General Fund	S	1,000	\$	-
Road Fund		-		1,000
	\$	<u>1,000</u>	\$	<u>1,000</u>

4.D. MAJOR TAXPAYERS

Walmart, Kroger, Lowes, and Target are major taxpayer of the City of West Buechel. Occupational, Gross Receipts, and Property taxes collected from represented the majority these taxes collected.

4.E. LITIGATION

The City is a party to several pending lawsuits that normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels any potential loss is uncertain.

4.F. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City.

4.G. - BUDGET

The City did not prepare a budget for fiscal year ended June 30, 2019.

4.H.- SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through March 5, 2021. The City continues to monitor the direct and indirect effects of COVID-19, which has led to closing of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projects reflecting any significant changes in revenues, other activities affecting the City as a result of the coronavirus.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

4.I.-RECENT GASB PRONOUNCEMENTS

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements:

GASB Statement No. 82, Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73, will be effective for periods beginning after June 15, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 84, In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year.

GASB Statement No. 85, Omnibus 2019, will be effective for reporting periods beginning after June 15, 2019. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits – OPEB).

GASB Statement No. 87, Leases, will be effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Schedule of City's Proportionate Share of Net Pension Liability County Employees Retirement System

Schedule of City's Contributions County Employees Retirement System

Schedule of City's Proportionate Share of Net OPEB Liability County Employees Retirement System

Schedule of City's Contributions County Employees Retirement System OPEB

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2019**

	2019	2013-2006
NON-HAZARDOUS		
City's proportion of net pension liability	0.0114%	Chart to be expanded in future years to cover 10 year trend analysis.
City's proportionate share of the net pension liability	\$691,676	
City's covered-employee payroll	\$158,135	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	437.40%	
Plan Fiduciary net position as a percentage of the total pension	53.54%	
HAZARDOUS		
City's proportion of net pension liability	0.0991%	
City's proportionate share of the net pension liability	\$2,397,320	
City's covered-employee payroll	\$275,876	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	868.98%	
Plan Fiduciary net position as a percentage of the total pension	49.26%	

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF CITY'S CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019**

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

NON-HAZARDOUS

FY 2019 Contractually required contribution	\$ 35,624
FY 2019 Contribution in relation to the contractually required contribution	<u>(35,624)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's FY 2019 covered employee payroll	\$ 158,135
Contributions as a percentage of covered-employee payroll	16.22%

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

HAZARDOUS

FY 2019 Contractually required contribution	\$ 97,495
FY 2019 Contribution in relation to the contractually required contribution	<u>(97,495)</u>
Contribution deficiency (excess)	<u>\$ (0)</u>
City's FY 2019 covered employee payroll	\$ 275,876
Contributions as a percentage of covered-employee payroll	24.87%

CITY OF WEST BUECHEL, KENTUCKY
 SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION OPEB LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 JUNE 30, 2019

	2019
NON-HAZARDOUS	
City's proportion of net pension liability	0.0114%
City's proportionate share of the net pension liability	\$201,641
City's covered-employee payroll	\$47,235
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	426.89%
Plan Fiduciary net position as a percentage of the total pension liability	57.62%
HAZARDOUS	
City's proportion of net pension liability	0.0991%
City's proportionate share of the net pension liability	\$706,771
City's covered-employee payroll	\$82,404
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	857.69%
Plan Fiduciary net position as a percentage of the total pension liability	64.24%

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF CITY'S CONTRIBUTIONS OPEB
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019**

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

NON-HAZARDOUS

FY 2019 Contractually required contribution	\$ 10,641
FY 2019 Contribution in relation to the contractually required contribution	<u>(10,641)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's FY 2019 covered employee payroll	\$ 47,235
Contributions as a percentage of covered-employee payroll	5.26%

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

HAZARDOUS

FY 2019 Contractually required contribution	\$ 29,122
FY 2018 Contribution in relation to the contractually required contribution	<u>(29,122)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's FY 2019 covered employee payroll	\$ 82,404
Contributions as a percentage of covered-employee payroll	10.47%

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO SUPPLEMENTAL INFORMATION
JUNE 30, 2019

NOTE A - ACCOUNTING POLICIES

For purposes of determining 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's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned, and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

NOTE B - CHANGES OF BENEFIT TERMS

There were no changes of benefit terms as of the June 30, 2018 valuation.

NOTE C - CHANGES OF ASSUMPTIONS

There were no changes of assumptions as of the June 30, 2018 valuation.

NOTE D - MEASUREMENT DATE

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

STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

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Louisville, KY 40220
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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

To the Mayor and City Council
City of West Buechel, Kentucky

We were engaged to audit the accompanying financial statements of the governmental activities and each fund, of the City of West Buechel, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated March 5, 2021. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our report disclaims an opinion on such financial statements because of the City of West Buechel was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the City's financial statements as of and for the year ended June 30, 2019.

Internal Control Over Financial Reporting

In connection with our engagement to audit of the financial statements, we considered the City of West Buechel, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures 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 West Buechel, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Buechel, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-01 through 2019-05 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Buechel, Kentucky's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-06 through 2019-09.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

City of West Buechel, Kentucky's Responses to Findings

City of West Buechel, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of comments and recommendations. City of West Buechel, 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.

Stuedle Spears & Company PSC

STUEDLE SPEARS & COMPANY PSC

March 5, 2021

CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

FINDINGS- MATERIAL WEAKNESS

Finding 2019-01

The City was missing a significant amount of accounting records and computer-generated information from the City was unreliable.

The audit was severely limited due to significant missing accounting records and unreliable computer-generated information from the City's accounting system prior to January 2019. Due to the lack of accounting records and information maintained by the City, the unreliable information generated from the City's accounting system, and the City's failure to implement fundamental financial operating processes and controls, the auditors' ability to perform a detailed examination was severely limited. It was determined the City lacks records and documentation to support receipts and expenditures known to have been incurred based on details of the City's bank accounts' that were provided. It could not be determined whether the financial documentation was ever maintained or was subsequently removed or deleted. Due to the lack of supporting documentation and missing data, only the random items of documentation prior to January 2019 provided by the City could be reviewed and City officials provided no assurance the information provided to auditors was complete or accurate. This situation indicates that a high fraud risk exists due to the lack of accountability established by the City.

KRS 91A.020 requires cities to maintain an accounting system and financial reports for disclosure of financial operations and to determine a city's compliance with statutory provisions. KRS 91A.020 addresses the need for cities to maintain complete accounting records. KRS 91A.020 (1) specifically requires the following:

Each city shall keep its accounting records and render financial reports in such a way as to:

- (a) Determine compliance with statutory provisions; and
- (b) Determine fairly and with full disclosure the financial operations of constituent funds and account groups of the city in conformity with generally accepted governmental accounting principles.

Recommendations: We recommend the City follow the requirements of KRS 91A.020. In addition, follow developed employee handbook. Also, continue implementation and improvement of policies and controls to include:

- Training staff to ensure an understanding of the City's accounting process and system;
- Recording and reporting of transactions and other related information consistently and requiring detailed documentation to be obtained and maintained to support of financial activity;
- Maintaining financial and other related documents in a logical and secured manner to ensure documents are readily available. For example, we recommend accounting systems to be backed up at secure off-site location and possibly retain electronic copies of paper documentation;
- Documenting and reporting records determined to be missing to ensure the issue is thoroughly investigated;
- Establishing other financial related policies and controls to ensure the City consistently operates in an efficient, effective, and professional manner. For example, we recommend the City Council establish a policy detailing the process to report lost or missing financial information or records to the appropriate authorities.

CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019

Finding 2019-01 (Continued)

Views of Responsible Official and Planned Corrective Action:

Since taking office in January 2019, this administration has strived to continually improve the record keeping and overall financial oversight of the City. Since that time some of the changes that have been implemented are:

- Hiring a City Clerk/Treasurer with over 21 years of experience
- Hiring of a Deputy Clerk with 22 years of experience
- Hiring an outside CPA firm to assist in setting up the books of the City in QuickBooks
- Contracting with the outside CPA firm to come in monthly to assist in reconciling the bank accounts which allows more segregation of duties.
- Presented monthly financial reports to the City Council.
- Updated Personnel Policy
- No longer allowed reimbursement to employees other than travel expenses for training only.
- Disallowed inappropriate spending of taxpayer dollars.
- Started working with the Department of Local Government to comply with overdue reporting.
- Mayor presented a budget for 2019/2020 which was approved by council to comply with the reporting deadline to the Department of Local Government

Finding 2019-02

The City had inadequate controls over disbursements.

The following issues were noted when testing disbursements:

- Expenditures totaling \$432,570 of \$1,954,417 expenditures were not supported with any documentation.
- 154 of 308 expenditures tested were not supported by any documentation.
- Auditor would like to note that the unsupported expenditures were related to expenditures made prior to January 2019.

Recommendations: We recommend the City enforce the current disbursement policy and credit card policy if the City continues to maintain a credit card. We recommend the credit card policy be reviewed to ensure that all currently authorized users are designated as being subject to the credit card policy and are not omitted or exempted in any way. We also recommend that the policy be periodically reviewed to ensure that all authorized users remain subject to the credit card policy. Credit card statements and supporting receipts should be maintained in a logical manner to facilitate reviews from any interested party such as a taxpayer, a member of city council, or the auditor.

Views of Responsible Official and Planned Corrective Action:

As of January 2019, the City only uses a credit card when there is no other alternative payment method. The credit cards have limited access for who they can be used by or for what. The main purpose of the credit cards is for travel arrangements which they are required to secure rooms. Police Department items where we do not have an account with for invoicing, must be charged. We try with every effort to set up invoicing for future purchases. Employees are no longer authorized to make purchases on behalf of the City and be reimbursed. All purchases are preapproved by the Mayor first then she checks with the Clerk/Treasurer to make sure it is within the budget for that department. All invoices are available at City Hall for review.

CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019

Finding 2019-03

The City had inadequate controls over revenue.

The City failed to maintain a proper receipts ledger. The audit was severely limited due to significant missing accounting records and unreliable computer-generated information from the City's accounting system prior to January 2019. Due to the lack of accounting records and information maintained by the City, the unreliable information generated from the City's accounting system, and the City's failure to implement fundamental financial operating processes and controls, the auditors' ability to perform a detailed examination was severely limited. It was determined the City lacks records and documentation to support receipts known to have been incurred based on details of the City's bank accounts' that were provided. It could not be determined whether the financial documentation was ever maintained or was subsequently removed or deleted.

Due to the lack of supporting documentation or receipts ledger \$1,177,265 of revenue was recorded as undocumented income. The lack of a receipts ledger, or other documentation of funds received prior to January 2019, has placed the City in a situation where the City has potentially failed to collect all revenue due the City over the last several years.

Recommendations: We recommend the City continue to use the tax receipts software currently in place. To improve oversight and transparency, we recommend a transaction summary be provided monthly in the City Council members meeting packets for review and discussion at City Council meetings. We further recommend that this review and discussion be documented in the City Council meeting minutes.

Views of Responsible Official and Planned Corrective Action:

As noted above, the City has continued with the use of that tax receipts software to assist in the accounting for receipts of the City. Additionally, the City retains a copy of all payments received in a folder by month along with the appropriate reports from the tax receipts software.

Finding 2019-04

The City did not have sufficient internal controls over payroll.

The City lacked sufficient internal controls over payroll as shown by the following deficiencies:

- Due to lack of documentation, Auditor could not determine if pay rate was approved by the City for 11 of 11 tested.
- Auditor noted during testing that for 2 of 11 employees tested proper local taxes were not being withheld from employees pay check.
- Auditor noted during testing that 1 of 11 tested employee were included on the CERS listing but contribution was not being deducted from employees pay check.
- Due to lack of documentation Auditor could not determine if 2 of 11 employees tested were properly excluded from CERS listing.
- Due to lack of documentation Auditor could not determine if time sheet was approved for 4 of 11 tested.
- Due to lack of documentation Auditor could not determine for 5 of 11 checks tested if proper deductions were being made from employee paycheck.
- Due to lack of documentation Auditor could not determine for 5 of 11 checks tested if proper insurance deductions were being made from employee paycheck.
- Due to lack of documentation Auditor could not determine for 2 of 11 checks tested if payroll checks agreed to canceled checks.

CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019

Finding 2019-04 (Continued)

Recommendations: We recommend the City strengthen their internal controls and ensure compliance with the City's administrative code, Kentucky Administrative Regulations, and the Kentucky Constitution by making sure all classifications of employee pay are approved by City and by requiring any individual receiving a paycheck from the City to submit a signed timesheet to substantiate payment received. Those timesheets should be approved by the employee's supervisor or by Mayor. As elected officials, Mayor and Council are not required to maintain timesheets.

Views of Responsible Official and Planned Corrective Action:

- At a minimum, two individuals look at all hourly employees' timecards.
- A payroll sheet is then done in Microsoft Excel.
- All salary personnel report directly to the Mayor, and she is in the office Monday-Friday.
- All overtime is preapproved by the Mayor.
- Department of Wage and Hour rules for overtime are followed.
- The two individuals in question during this audit are no longer employed by the City.

Finding 2019-05

The City should maintain complete and accurate capital schedules to comply with GASB 34 requirements and inventory capital assets periodically.

The schedule of capital assets and infrastructure had not been maintained by the City for the audit period did not recognize all asset purchases that occurred throughout the year and the beginning balances did not agree to the prior year schedule of capital assets ending balances. GASB 34 requirements necessitate the City maintaining a complete and accurate fixed asset register. The City did not have a completed capital asset schedule for fiscal year ending June 30, 2019. A list of capital asset additions and disposals were not properly maintained. Furthermore, capital asset records did not include any supporting documentation, such as invoices, to support amounts recorded for assets included on the City's schedule of capital assets.

By having weak internal controls over capital assets, assets are left vulnerable to misappropriation or misstatement. In this case, misstatements were able to occur without detection. Strong internal controls over capital assets are necessary to ensure accurate financial reporting, to protect assets from misappropriation, and to ensure accurate insurance coverage. Fixed asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control and long range planning for property replacement.

Recommendation: We recommend that the City maintain a complete and accurate fixed asset register to comply with GASB 34 requirements. The fixed asset register should be monitored and maintained on a regular basis. As new assets are acquired, they should be added to the listing and as equipment is disposed of it should be removed from the listing. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. The City should take a physical inventory of its capital assets on an annual basis to ensure that only active, in-service machinery and equipment is included on the City's financial statements. This will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable listing.

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

Finding 2019-05 (Continued)

Views of Responsible Official and Planned Corrective Action:

The City assisted with updating the last know fixed asset register to the fullest extent possible given the lack of available records and the amount of time that had elapsed between audits. Going forward the City will keep this listing up-to-date.

FINDINGS- COMPLIANCE AND OTHER MATTERS

Finding 2019-06

The City did not follow the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budget for the year ended June 30, 2019.

The City did not follow the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budget. Each city shall operate under an annual budget ordinance adopted and administered in accordance with the provisions of this section. Notwithstanding any other provision of law, no city shall expend any moneys from any governmental or proprietary fund, except in accordance with a budget ordinance adopted pursuant to this section.

Recommendations: The City did follow the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budget.

Views of Responsible Official and Planned Corrective Action:

The establishment of a budget for this fiscal year, July 1, 2018 to June 30, 2019 was the responsibility of the previous administration. Since taking office in January 2019, this administration has presented, and the city council, has approved budgets in a timely manner.

Finding 2019-07

The City did not follow the procedures established pursuant to Section 91A.050 of the Kentucky Revised Statutes to have an annual audit completed and submitted to the State. The last audit completed was for the year ended June 30, 2014.

Per KRS 91A.040 the City is required to have an audit completed and submitted to the State by February 1, of the year following its year-end (2-1-20). Also, the City is required to submit the uniform financial information report (UFIR) to the State by May 1 of the year following its year end (5-1-20). Neither the audit nor the UFIR were submitted to the State by the compliance deadline.

City management did not submit its June 30, 2019 financial statements and supporting records/documentation to its auditor until October, 2020.

Recommendation: We recommend that City management close its books in a timely manner to enable the submission of the City's financial statements and related records/ documentation to the auditor to allow the timely completion of the audit and presentation of audited financials to the City Council and the timely submittal of the audit and UFIR to the State.

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

Finding 2019-07 (Continued)

Views of Responsible Official and Planned Corrective Action:

The City had difficulty in finding and contracting with an audit firm to perform the audit for the fiscal year ending June 30, 2019. One of the primary reasons for this is the length of time that has passed since the last audit of the City was performed. Since the conclusion of this audit, the City has tentatively scheduled the audit for the fiscal year endings June 30, 2020.

Finding 2019-08

The City had \$845,096 uninsured deposits as of June 30, 2019.

At June 30, 2019, the City had two accounts with one bank with aggregate deposits of \$1,095,096. The deposits were covered by the FDIC up to \$250,000 leaving \$845,096 of deposits which were uninsured. The City did not have a collateralization agreement with the bank whereby the bank would pledge securities in the City's name to cover the shortfall, as required by KRS.

Recommendation: We recommend the City adopt an investment policy to stipulate that all cash/investments deposits be fully covered by the FDIC and have a supporting collateralization agreement with its bank if the circumstances dictate.

Views of Responsible Official and Planned Corrective Action:

The City will take all necessary actions to minimize this risk and ensure that all funds of the City that require collateralization are adequately collateralized.

Finding 2019-09

No meeting minutes were maintained by the City for the period under audit prior to January 2019.

KRS 83A.060 requires that every action of the City legislative body shall be made a part of the permanent records of the City and on passage of an ordinance the vote of each member of the City legislative body shall be entered on the official record of the meeting. The legislative body shall provide by ordinance for the maintenance and safekeeping of the permanent records of the city. The person assigned this responsibility and the presiding officer shall sign the official record of each meeting. The minutes of every meeting shall be signed by the person responsible for maintaining city records.

Recommendation: We recommend that the City continue to maintain meeting minutes per KRS 83A.060.

Views of Responsible Official and Planned Corrective Action:

The current administration took office in January 2019 and as such we are only able to state that we have not been able to locate minutes from the prior administration for the first six months of this fiscal year. The current administration believe that minutes have been kept in accordance with KRS 83A.060 since taking office.