

CITY OF MURRAY, KENTUCKY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

CITY OF MURRAY, KENTUCKY
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City Council and Administration Staff

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INTRODUCTORY SECTION

CITY OF MURRAY, KENTUCKY

June 30, 2020

CITY COUNCIL

Jeremy Bell
Rose Ross Elder
Alice Rouse
Linda Cherry
Danny Hudspeth
Dan Miller
Johnny Bohannon
Monty McCuiston
John Mark Roberts
Pat Seiber
Wesley Bolin
Burton Young

ADMINISTRATIVE STAFF

Bob Rogers, Mayor
Kimberly Wyatt, Director of Finance

FINANCIAL SECTION

Independent Auditor's Report

Honorable Mayor Bob Rogers and
Members of the City Council
City of Murray, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Murray, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, the budgetary comparison information on page 54, schedules related to pensions on pages 44-47, and OPEB schedules on pages 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murray, Kentucky's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2021, on our consideration of the City of Murray, 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 the City of Murray, Kentucky's internal control over financial reporting and compliance.

ROMAINE & TOWERY

Certified Public Accountants

Mayfield, Kentucky

January 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Murray's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The net position of all City activities is \$55,054,048. This represents an overall increase of \$1,192,219 (2.2%) over the prior year. A breakout shows an increase of \$4,407,782 (8.5%) in business-type activities and a decrease of \$3,215,563 (141.9%) in governmental activities.
- In the General Fund, expenditures and other uses exceed revenues and other financing sources by \$82,511, decreasing the fund balance to \$7,708,627 as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds page 13.
- All four business-type activities (Water and Sewer, Natural Gas, Sanitation, and Stormwater Utility) had a combined, positive net income totaling \$4,407,782 as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances Proprietary Funds page 16.

USING THIS ANNUAL AUDIT

This annual financial report consists of a series of financial statements. The Statement of Net Position (page 9) and the Statement of Activities (pages 10-11) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements begin on page 12. For governmental activities, these statements provide an overview of how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position, page 9 and the Statement of Activities, page 10 report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets (what the citizens own) and liabilities (what the citizens owe) may serve as a way to measure the City's financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors should be considered, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the overall health of the City. In the Statement of Net Position and the Statement of Activities, the City is separated into two kinds of activities.

- Governmental activities - Most of the City's basic services are reported here, including the Police, Fire, Street, Planning and Administration departments. Property taxes, insurance premium taxes, occupational taxes, franchise fees, business licenses, alcohol sales fees, and state and federal grants finance most of these activities.
- Business-type activities - The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City's Water and Sewer, Natural Gas, Sanitation, and Stormwater Utility departments are reported here.

THE CITY AS A WHOLE

Governmental Activities

- A year-over-year comparison shows General Fund revenue increased \$793,085 (6.6%) while total Governmental Funds revenue increased \$806,116 (5.8%).
- General Fund expenditures increased \$1,913,042 (15.5%) while total Governmental Fund expenditures increased \$1,910,620 (14.8%).

Governmental Activities

- Occupational license tax (payroll tax), the largest single revenue category for the General Fund, decreased \$100,582 (2.4%) to \$4,034,319. The decrease can be attributed to two significant events in the second half of FY20: the shutdown of a major facility in Murray that employed over 600 employees and a decrease of employment opportunities due to the effects of COVID 19 restrictions.
- The second largest single revenue category, property taxes, decreased \$109,293 (3.3%) to \$3,207,190. This decrease is the residual effect of the reduction of the property tax rate from .4260 to .3100 per \$100 of assessment in the prior fiscal year.
- The Insurance premium tax rate was reduced to 7.25% from 8.5% resulting in a revenue decrease of \$159,516 (8.2%) to \$1,797,531.
- Grant receipts for the year are \$2,558,699– an 84% increase from the prior year.

Business-type Activities

Murray Water and Sewer System

- The Water and Sewer System’s total operating revenues are \$10,912,122. When compared to the total operating expenses of \$6,595,897, an operating income of \$4,316,225 exists.
- The change in net position is an increase of \$4,033,745 when non-operating expenses of \$177,480 and transfers to other funds of \$105,000 are considered.

Murray Natural Gas System

- The Gas System’s total operating revenues are \$7,607,134. When compared to the total operating expenses of \$7,497,306, operating income of \$109,828 exists.
- The change in net position is an increase of \$63,537 when non-operating revenues of \$58,709 and transfers to other funds of \$105,000 are considered.

Sanitation Department

- The City entered into an agreement with Republic Services Waste Solutions on October 1, 2016 to provide refuse collection services within the City limits. The City still owns, maintains control of, and operates the Transfer Station.
- The Sanitation Department’s total operating revenues are \$3,591,957. When compared to the total operating expenses of \$3,410,560, an operating income of \$181,397 exists.
- The change in net position is an increase of \$106,174 when non-operating revenue of \$29,777 and transfer to other funds of \$105,000 are considered.

Stormwater Utility

- The Stormwater Utility’s total operating revenues are \$391,253. When compared to the total operating expenses of \$189,033, an operating income of \$202,220 exists.
- The change in net position is an increase of \$204,326 when non-operating revenue of \$2,106 is considered.

City Pension Costs

The City of Murray participates in the State’s CERS retirement program. Under the County Employee Retirement System (CERS) plan, employee contributions are deposited into two plans- nonhazardous and hazardous. In FY15 the City implemented Government Accounting Standards Board (GASB) Statement No. 68, which requires that the City report and fully disclose its share of net pension liability. CERS has assigned to the City its proportional share of the net pension’s liability. “The net pension liability is 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.” As of June 30, 2020, the City’s proportional share of net pension liability is \$29,716,938, an increase of 27.4% (\$6,394,770) from last year. While the City reports positive balances of total net position for Governmental and Business-type Activities, disclosing the City’s net liability in the County Employee Retirement System has been a driving factor of a negative unrestricted fund balance of \$14,102,034 for governmental funds, as can be seen in the Statement of Net Position page 9.

City Pension Costs

The following tables provide a summary of the City's year-over-year comparison of retirement costs:

	<u>FYE 6/30/20</u>	<u>FYE 6/30/19</u>	<u>FYE 6/30/18</u>	<u>FYE 6/30/17</u>	<u>FYE 6/30/16</u>
<u>Net Pension Liabilities</u>					
Nonhazardous	\$11,932,756	\$ 8,927,778	\$ 8,855,527	\$ 8,378,483	\$7,837,990
Hazardous	<u>\$17,784,182</u>	<u>\$14,394,390</u>	<u>\$13,427,519</u>	<u>\$11,016,022</u>	<u>\$9,909,090</u>
Total	\$29,716,938	\$23,322,168	\$22,283,046	\$19,394,505	\$17,747,080
<u>Pension Expenses</u>					
Nonhazardous	\$2,104,053	\$1,039,744	\$1,218,302	\$1,141,560	\$881,836
Hazardous	<u>\$3,897,102</u>	<u>\$2,614,341</u>	<u>\$2,206,897</u>	<u>\$1,246,840</u>	<u>\$952,212</u>
Total	\$6,001,155	\$3,654,085	\$3,425,199	\$2,388,400	\$1,834,048

Currently the City of Murray contributes to the two CERS plans based on employee retirement wages. As can be seen below, the City anticipates significant increases in the amount of employee retirement costs in future years, based on contribution rates.

Retirement Contribution Rates

	Nonhazardous	Hazardous
FY15-16	17.06%	32.95%
FY16-17	18.68%	31.06%
FY17-18	19.18%	31.55%
FY18-19	21.48%	35.34%
FY19-20	24.06%	39.58%
FY20-21	24.06%	39.58%
*FY21-22	*26.95%	*44.33%

*House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028. During the 2020 Regular Session, Senate Bill 249 froze the CERS employer rate phase-in for one year.

Other Post-Employment Benefits (OPEB)

During fiscal year 2018, the City of Murray adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB). OPEB requires the City to report its proportional share of the liability for retirement benefits other than pension benefits, namely healthcare benefits. At June 30, 2020 the City's proportionate share of the net OPEB liability of the nonhazardous plan is \$2,852,999 and \$4,762,418 for the hazardous plan.

A full description of the retirement plans and the associated pension assumptions and liabilities are discussed in greater detail at Note 3-Detail Notes, part G. Retirement Plan, pages 30-34.

A full description of Other Post-Employment Benefits (OPEB) and the associated assumptions and liabilities are discussed in greater detail at Note 3-Detail Notes, part H. Retirement Plan, pages 35-39.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- In Governmental Activities, property, plant and equipment increased by a total cost of \$481,478. This consists of an increase of \$200,000 in Land, a decrease of \$360,309 in Machinery and Equipment, and an increase of \$641,787 in Infrastructure. Net of depreciation, the total Net Capital Assets – Governmental increased by \$27,747.
- In the Business-type Activities, property, plant and equipment increased by a total cost of \$6,314,257. This consists of an increase of \$493,114 in Construction in Process, an increase of \$15,231 in Buildings, a decrease of \$483,515 in Machinery and Equipment, an increase of \$91,059 in Drainage Improvement, and an increase of \$6,198,218 in Utility Plants. Net of depreciation, the total Net Capital Assets – Business Type increased by \$4,842,260.

Debt

- No new debt in General Governmental Activities has been issued during the fiscal year. As of June 30, 2020, the total capital debt outstanding for General Governmental Activities is \$2,507,170 which is a decrease of \$243,916 over the prior year.
- New debt issued for Business-type Activities includes \$1,200,000 for construction of a new clear well, \$876,265 for construction and services related to the Combined Sewer Project, and \$3,182,372 for construction and other services related to the Waste Water Treatment Plant improvements. \$410,000 of debt for the Bee Creek Interceptor project- KADD loan was retired during the fiscal year. As of June 30, 2020, the total debt outstanding for Business-Type Activities is \$63,285,776, which is an increase of \$4,787,045 over the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Preliminary data for the City in fiscal year 2021 mirrors the economic uncertainty presently experienced at the State and Federal levels. Rising personnel costs – most notably in the form of healthcare and retirement expenditures – continue to compete with spending in operational areas and on capital projects. The financial impact of the COVID-19 pandemic resulted in reduced revenues for both Governmental Activities and Business-type Activities in fiscal year 2020. The impact of the pandemic will likely have a more significant effect on fiscal year 2021, and the economic effects may linger for years. As always, the City is constantly monitoring many factors present in today's economy and adjusting funding and expenditure measures accordingly. The City's current revenue sources appear to be adequate to provide the quality of service expected for our customers while maintaining a stable tax environment. We will continue to optimize internal and external efficiencies wherever possible in our effort to provide the greatest benefit to our stakeholders at the lowest possible cost.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director's office at 500 Main Street, Murray, Kentucky, 42071.

Respectfully submitted,

Kim Wyatt
Director of Finance

BASIC FINANCIAL STATEMENTS

CITY OF MURRAY, KENTUCKY
STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash in banks and on hand	\$ 7,613,054	\$ 20,785,297	\$ 28,398,351
Receivables (net of allowance for uncollectible)			
Taxes	203,806		203,806
Customer		1,232,531	1,232,531
Other	1,443,601	14,812	1,458,413
Internal balances	(151,465)	151,465	-
Materials and supplies, at average cost	42,157	490,995	533,152
Noncurrent assets			
Net capital assets	14,701,417	101,192,711	115,894,128
Restricted assets	1,362,096	7,341,064	8,703,160
Total assets	<u>25,214,666</u>	<u>131,208,875</u>	<u>156,423,541</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	5,543,013	2,542,738	8,085,751
Deferred outflows related to OPEB	2,467,999	1,063,075	3,531,074
Total deferred outflows	<u>8,011,012</u>	<u>3,605,813</u>	<u>11,616,825</u>
Liabilities			
Accounts payable	1,428,003	2,097,980	3,525,983
Accrued salaries and wages	99,709	53,414	153,123
Other accrued liabilities	227,206	81,769	308,975
Customer deposits		698,995	698,995
Accrued interest payable		313,937	313,937
Noncurrent liabilities			
Net pension liability	21,298,082	8,660,793	29,958,875
Net OPEB liability	5,602,553	2,070,706	7,673,259
Due within one year	569,621	3,051,919	3,621,540
Due in more than one year:			
Accrued compensated absences	194,335	126,677	321,012
Notes payable	2,359,668	60,379,000	62,738,668
Total non-current liabilities	<u>30,024,259</u>	<u>74,289,095</u>	<u>63,059,680</u>
Total liabilities	<u>31,779,177</u>	<u>77,535,190</u>	<u>109,314,367</u>
Deferred inflows of Resources			
Deferred inflows related to pensions	847,931	492,620	1,340,551
Deferred inflows related to OPEB	1,548,807	782,593	2,331,400
Total deferred inflows	<u>2,396,738</u>	<u>1,275,213</u>	<u>3,671,951</u>
Net Position			
Net investment in capital assets	11,577,793	37,906,935	49,484,728
Restricted for			
CDBG housing	65,227		65,227
Special purposes	1,169,767		1,169,767
Employee benefits	339,010		339,010
Debt service		5,632,845	5,632,845
Renewal and replacement		565,878	565,878
Landfill post closure reserve		364,812	364,812
Unrestricted	(14,102,034)	11,533,815	(2,568,219)
Total net position	<u>\$ (950,237)</u>	<u>\$ 56,004,285</u>	<u>\$ 55,054,048</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

Function/Program	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>(Expense)</u>
					<u>Total</u>
Governmental activities					
General government	\$ 4,821,563	\$ 406,002	\$ 2,558,699	\$ -	\$ (1,856,862)
Community development	457,794				(457,794)
Police department	5,762,858				(5,762,858)
Fire department	5,302,039				(5,302,039)
Street department	1,290,124				(1,290,124)
Tourism	321,292	304,047			(17,245)
Municipal aid	167,967				(167,967)
E-911	63,225				(63,225)
Alcohol beverage control	64	1,092,601			1,092,537
Drug court awards	33,022				(33,022)
Unallocated interest expense	81,612				(81,612)
Total governmental activities	<u>18,301,560</u>	<u>\$ 1,802,650</u>	<u>\$ 2,558,699</u>	<u>\$ -</u>	<u>\$ (13,940,211)</u>
Business-Type activities					
Water and sewer	7,352,210	10,504,810		370,616	3,523,216
Natural gas	7,508,987	7,539,520			30,533
Sanitation	3,410,560	3,589,730			179,170
Stormwater	189,033	391,065			202,032
Total business-type activities	<u>18,460,790</u>	<u>22,025,125</u>	<u>-</u>	<u>370,616</u>	<u>3,934,951</u>
Total primary government	<u>\$ 36,762,350</u>	<u>\$ 23,827,775</u>	<u>\$ 2,558,699</u>	<u>\$ 370,616</u>	<u>\$ (10,005,260)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in Net Position			
Net revenue (expense)	\$ (13,940,211)	\$ 3,934,951	\$ (10,005,260)
General Revenues			
Taxes			
Property taxes	3,207,190		3,207,190
Occupational taxes	4,034,319		4,034,319
Franchise taxes	198,395		198,395
Payments in lieu of taxes	59,758		59,758
Bank shares	136,951		136,951
Insurance tax	1,797,531		1,797,531
Telephone line charges	208,140		208,140
Intergovernmental	379,446		379,446
Interest	108,111	310,490	418,601
Miscellaneous	279,807	477,341	757,148
Transfers	315,000	(315,000)	-
Total general revenues and transfers	<u>10,724,648</u>	<u>472,831</u>	<u>11,197,479</u>
Change in net position	<u>(3,215,563)</u>	<u>4,407,782</u>	<u>1,192,219</u>
Net position-beginning	<u>2,265,326</u>	<u>51,596,503</u>	<u>53,861,829</u>
Net position-end of period	<u>\$ (950,237)</u>	<u>\$ 56,004,285</u>	<u>\$ 55,054,048</u>

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

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

	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,494,866	\$ 118,188	\$ 7,613,054
Receivables			
Taxes (net of allowance of \$170,477)	203,806		203,806
Due from other funds	20,458	-	20,458
Other	1,202,689	215,524	1,418,213
Restricted assets	65,227	957,859	1,023,086
Total assets	\$ 8,987,046	\$ 1,291,571	\$ 10,278,617
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,183,665	\$ 116,562	\$ 1,300,227
Accrued expenditures		2,446	2,446
Accrued salaries and wages	94,754	2,796	97,550
Total liabilities	1,278,419	121,804	1,400,223
Fund Balances			
Restricted	65,227	1,169,767	1,234,994
Unassigned	7,643,400		7,643,400
Total fund balances	7,708,627	1,169,767	8,878,394
Total liabilities and fund balances	\$ 8,987,046	\$ 1,291,571	\$ 10,278,617

Reconciliation of total governmental fund balances to net position of governmental activities

Total governmental fund balances \$ 8,878,394

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. 14,601,209

Internal service funds are used by management to charge the cost of certain activities, such as insurance and transportation costs, to individual funds. The assets and liabilities of certain internal funds are included in governmental activities in the statement of net assets. (405,902)

Long-term liabilities, including bonds payable and accrued compensated absences, are not due an payable in the current period and, therefore, are not reported in the funds. (24,023,938)

Net position of governmental activities \$ (950,237)

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020

	General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 3,207,190		\$ 3,207,190
Insurance tax	1,797,531		1,797,531
Occupational tax	4,034,319		4,034,319
Transient room tax		304,047	304,047
Franchise taxes	198,395		198,395
Occupational business licenses	341,013		341,013
Payments in lieu of taxes	59,758		59,758
Bank shares	136,951		136,951
License and permits	47,138		47,138
Fines and fees	17,851		17,851
Telephone line charges		208,140	208,140
Intergovernmental revenue	25,000	354,446	379,446
Interest	90,761	12,197	102,958
Alcoholic beverage fees		1,092,601	1,092,601
Miscellaneous income	238,879	40,928	279,807
Grant funds received	2,558,699		2,558,699
Total revenues	12,753,485	2,012,359	14,765,844
Expenditures			
Current			
General government	5,006,989		5,006,989
Police department	4,013,867		4,013,867
Fire department	3,488,985		3,488,985
Street department	962,388	167,967	1,130,355
Planning and zoning	457,794		457,794
Tourism commission		260,850	260,850
E-911		63,225	63,225
Freedom fest		16,568	16,568
Drug court awards		33,022	33,022
Alcoholic beverage control		64	64
Debt service			
Principal	243,914	5,047	248,961
Interest	77,059	4,553	81,612
Total expenditures	14,250,996	551,296	14,802,292
Revenues over (under) expenditures	(1,497,511)	1,461,063	(36,448)
Other Financing Sources (Uses)			
Transfers from other funds	1,415,000		1,415,000
Transfers to other funds	-	(1,100,000)	(1,100,000)
Total other financing sources (uses)	1,415,000	(1,100,000)	315,000
Net change in fund balance	(82,511)	361,063	278,552
Fund balance, beginning	7,791,138	808,704	8,599,842
Fund balance, end of year	\$ 7,708,627	\$ 1,169,767	\$ 8,878,394

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

CITY OF MURRAY, KENTUCKY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

Net change in fund balance-total governmental funds \$ 278,552

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets exceed depreciation in the current period. 48,297

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of the governmental funds. Neither transaction however, has any effect on net position.
Principal payments on debt 248,961

Accrued compensated absences reported as long term liabilities in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 33,447

Pension contributions are reported as expenditures in the governmental funds. However, pension expense in the statement of activities is primarily the result of changes in the components of the net pension liability over the current and future periods.
Pension expense (3,213,691)
OPEB expense (472,909)

Internal service funds are used by management to charge the costs of certain activities, such as central garage services and employee health insurance, to individual funds. These net revenue (expense) of these internal service funds is reported with governmental activities. (138,220)

Change in net position of governmental activities \$ (3,215,563)

CITY OF MURRAY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2020

	Business-Type Activities					Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Assets						
Cash and cash equivalents	\$ 13,324,764	\$ 5,432,053	\$ 1,708,542	\$ 319,938	\$ 20,785,297	\$ -
Receivables (net of allowances)						
Customers	637,984	242,572	318,202	33,773	1,232,531	
Miscellaneous	4,119	1,852	342		6,313	25,388
Prepaid	3,187	3,187	2,125		8,499	
Due from other funds		151,527			151,527	62
Materials and supplies, at average cost	340,139	150,856			490,995	42,157
Total current assets	<u>14,310,193</u>	<u>5,982,047</u>	<u>2,029,211</u>	<u>353,711</u>	<u>22,675,162</u>	<u>67,607</u>
Noncurrent assets						
Construction in progress	739,856		136,388		876,244	
Utility plant in service	121,822,818	10,858,825			132,681,643	
Land	443,997	924,980	54,524		1,423,501	
Buildings	871,621	2,497,402	413,219		3,782,242	225,000
Machinery and equipment	893,442	590,934	1,297,587		2,781,963	246,815
Vehicles	1,171,096	251,920		35,116	1,458,132	
Other equipment	1,438,151	1,652,122	56,421	38,809	3,185,503	
Drainage improvement				2,341,156	2,341,156	
Accumulated depreciation	(38,005,284)	(7,361,541)	(1,423,521)	(547,327)	(47,337,673)	(371,607)
Restricted assets	6,578,559	397,693	364,812		7,341,064	339,010
Total noncurrent assets	<u>95,954,256</u>	<u>9,812,335</u>	<u>899,430</u>	<u>1,867,754</u>	<u>108,533,775</u>	<u>439,218</u>
Total assets	<u>110,264,449</u>	<u>15,794,382</u>	<u>2,928,641</u>	<u>2,221,465</u>	<u>131,208,937</u>	<u>506,825</u>
Deferred Outflows of Resources						
Deferred outflows related to pensions	1,332,918	1,073,530	99,935	36,355	2,542,738	108,017
Deferred outflows related to OPEB	557,229	449,046	41,647	15,153	1,063,075	45,020
Total deferred outflows	<u>1,890,147</u>	<u>1,522,576</u>	<u>141,582</u>	<u>51,508</u>	<u>3,605,813</u>	<u>153,037</u>
Liabilities						
Current Liabilities						
Accounts payable	1,569,277	255,036	251,873	21,794	2,097,980	127,776
Accrued salaries and wages	29,604	21,523	1,550	737	53,414	35,034
Accrued compensated absences	154,336	86,087	26,918	4,479	271,820	
Accrued liabilities	28,602	19,728	33,439		81,769	224,760
Due to other funds	62				62	171,985
Current portion of bonds/notes payable	2,906,776				2,906,776	
Customer deposits	309,835	389,160			698,995	
Accrued interest						
Bonds	102,182				102,182	
Customer deposits	82,223	129,532			211,755	
Total current liabilities	<u>5,182,897</u>	<u>901,066</u>	<u>313,780</u>	<u>27,010</u>	<u>6,424,753</u>	<u>559,555</u>
Noncurrent liabilities						
Net pension liability	4,539,219	3,660,970	337,697	122,907	8,660,793	365,142
Net OPEB liability	1,085,280	875,300	80,740	29,386	2,070,706	87,302
Notes payable	60,379,000				60,379,000	
Total noncurrent liabilities	<u>66,003,499</u>	<u>4,536,270</u>	<u>418,437</u>	<u>152,293</u>	<u>71,110,499</u>	<u>452,444</u>
Total liabilities	<u>71,186,396</u>	<u>5,437,336</u>	<u>732,217</u>	<u>179,303</u>	<u>77,535,252</u>	<u>1,011,999</u>
Deferred Inflows of Resources						
Deferred inflows related to pensions	258,187	208,234	19,208	6,991	492,620	20,770
Deferred inflows related to OPEB	410,165	330,807	30,515	11,106	782,593	32,995
Total deferred inflows	<u>668,352</u>	<u>539,041</u>	<u>49,723</u>	<u>18,097</u>	<u>1,275,213</u>	<u>53,765</u>
Net Position						
Net investment in capital assets	26,089,921	9,414,642	534,618	1,867,754	37,906,935	100,208
Restricted for						
Employee benefit trust						339,010
Debt service	5,632,845				5,632,845	
Renewal and replacement	565,878				565,878	
Landfill post closure reserve			364,812		364,812	
Unrestricted	8,011,204	1,925,939	1,388,853	207,819	11,533,815	(845,120)
Total net position	<u>\$ 40,299,848</u>	<u>\$ 11,340,581</u>	<u>\$ 2,288,283</u>	<u>\$ 2,075,573</u>	<u>\$ 56,004,285</u>	<u>\$ (405,902)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2020

	Business-Type Activities					Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Operating Revenues						
Charges for services	\$ 10,392,721	\$ 7,471,733	\$ 3,589,730	\$ 391,065	\$ 21,845,249	\$ -
Interfund service provided					-	547,456
Tap-on fees	112,089	67,787			179,876	
Miscellaneous revenues	407,312	67,614	2,227	188	477,341	
Contributions to medical insurance fund					-	1,615,291
Total operating revenues	<u>10,912,122</u>	<u>7,607,134</u>	<u>3,591,957</u>	<u>391,253</u>	<u>22,502,466</u>	<u>2,162,747</u>
Operating Expenses						
Water plant expenses	1,287,231				1,287,231	
Sewer plant expenses	1,411,830				1,411,830	
Water and sewer field operations	1,290,087				1,290,087	
Gas purchased		4,194,703			4,194,703	
Engineering operations	117,354				117,354	
General office operations	476,101				476,101	
Administration expenses	427,645				427,645	453,922
Other operating expenses					-	595,675
Depreciation	1,585,649	445,982	42,955	58,901	2,133,487	20,550
Gas plant expenses		2,856,621			2,856,621	
Transfer station and landfill expenses			3,367,605		3,367,605	
Stormwater expenses				130,132	130,132	
Medical claims paid					-	1,235,973
Total operating expenses	<u>6,595,897</u>	<u>7,497,306</u>	<u>3,410,560</u>	<u>189,033</u>	<u>17,692,796</u>	<u>2,306,120</u>
Operating income (loss)	<u>4,316,225</u>	<u>109,828</u>	<u>181,397</u>	<u>202,220</u>	<u>4,809,670</u>	<u>(143,373)</u>
Non-operating Revenues (Expenses)						
Interest and dividend income	208,217	70,390	29,777	2,106	310,490	5,153
Interest expense	(756,313)	(11,681)		-	(767,994)	
Contributed capital	370,616				370,616	
Total non-operating revenues (expenses)	<u>(177,480)</u>	<u>58,709</u>	<u>29,777</u>	<u>2,106</u>	<u>(86,888)</u>	<u>5,153</u>
Income before transfers	<u>4,138,745</u>	<u>168,537</u>	<u>211,174</u>	<u>204,326</u>	<u>4,722,782</u>	<u>(138,220)</u>
Operating Transfers						
From (to) other funds	(105,000)	(105,000)	(105,000)		(315,000)	
Change in net position	<u>4,033,745</u>	<u>63,537</u>	<u>106,174</u>	<u>204,326</u>	<u>4,407,782</u>	<u>(138,220)</u>
Net position-beginning of period	36,266,103	11,277,044	2,182,109	1,871,247	51,596,503	(267,682)
Net position-end of period	<u>\$ 40,299,848</u>	<u>\$ 11,340,581</u>	<u>\$ 2,288,283</u>	<u>\$ 2,075,573</u>	<u>\$ 56,004,285</u>	<u>\$ (405,902)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2020

	Business-Type Activities					Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Cash Flows From Operating Activities						
Cash received from customers	\$ 10,922,092	\$ 7,727,590	\$ 3,535,568	\$ 373,015	\$ 22,558,265	\$ -
Cash paid to suppliers	(1,220,698)	(5,029,084)	(2,795,825)	(30,764)	(9,076,371)	(328,478)
Cash paid for employees and benefits	(2,463,175)	(1,660,023)	(561,674)	(75,248)	(4,760,120)	(226,139)
Cash received from interfund services provided						385,424
Customer deposits received (refunded)	12,415	4,140			16,555	
Net cash provided by operating activities	<u>7,250,634</u>	<u>1,042,623</u>	<u>178,069</u>	<u>267,003</u>	<u>8,738,329</u>	<u>(169,193)</u>
Cash Flow From Noncapital Financing Activities						
Transfer to other funds	(105,000)	(105,000)	(105,000)		(315,000)	
Landfill closure funded			(9,960)		(9,960)	
Cash received for interfund payables	(14,488)	14,286	12,541		12,339	
Net cash provided (used) by noncapital financing activities	<u>(119,488)</u>	<u>(90,714)</u>	<u>(102,419)</u>	<u>-</u>	<u>(312,621)</u>	<u>-</u>
Cash Flows From Capital And Related Financing Activities						
Acquisition and construction of capital assets	(5,928,211)	(571,964)	(13,898)	(91,058)	(6,605,131)	-
Proceeds from debt	5,258,637				5,258,637	
Principal paid on capital debt	(471,592)				(471,592)	
Interest paid on capital debt	(707,592)				(707,592)	
Interest paid on customer deposits	(5,647)	(6,707)			(12,354)	
Net cash provided (used) by capital and related financing activities	<u>(1,854,405)</u>	<u>(578,671)</u>	<u>(13,898)</u>	<u>(91,058)</u>	<u>(2,538,032)</u>	<u>-</u>
Cash Flows From Investing Activities						
Interest and dividends	208,217	70,390	29,777	2,106	310,490	5,153
Net cash provided by investing activities	<u>208,217</u>	<u>70,390</u>	<u>29,777</u>	<u>2,106</u>	<u>310,490</u>	<u>5,153</u>
Net increase (decrease) in cash and cash equivalents	5,484,958	443,628	91,529	178,051	6,198,166	(164,040)
Cash and cash equivalents at beginning of year	14,418,365	5,386,118	1,617,013	141,887	21,563,383	503,050
Cash and cash equivalents at end of year	<u>\$ 19,903,323</u>	<u>\$ 5,829,746</u>	<u>\$ 1,708,542</u>	<u>\$ 319,938</u>	<u>\$ 27,761,549</u>	<u>\$ 339,010</u>
Cash and cash equivalents are included on the Statement of Net Position as:						
Cash and cash equivalents	\$ 13,324,764	\$ 5,432,053	\$ 1,708,542	\$ 319,938	\$ 20,785,297	
Restricted assets	6,578,559	397,693			6,976,252	339,010
Total	<u>\$ 19,903,323</u>	<u>\$ 5,829,746</u>	<u>\$ 1,708,542</u>	<u>\$ 319,938</u>	<u>\$ 27,761,549</u>	<u>\$ 339,010</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2020

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Activities Internal Service
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities						
Operating income	\$ 4,316,225	\$ 109,828	\$ 181,397	\$ 202,220	\$ 4,809,670	\$ (143,373)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	1,585,649	445,982	42,955	58,901	2,133,487	20,550
Pension/OPEB expense	506,782	520,687	853	10,645	1,038,967	41,689
(Increase) Decrease in operating assets:						
Receivables-customers	13,605	119,401	(56,332)	(18,238)	58,436	2,054
Receivables-others	(3,635)	1,055	(57)	-	(2,637)	
Prepays	(3,187)	(3,187)	(2,125)		(8,499)	
Inventory	(95,417)	(8,700)			(104,117)	8,109
Increase (Decrease) in operating liabilities:						
Accounts payable	898,682	(151,094)	5,689	13,562	766,839	(8,458)
Accrued expenses	19,515	4,511	5,689	(87)	29,628	(92,473)
Customer deposits	12,415	4,140			16,555	
Due to other funds					-	2,771
Net cash provided by operating activities	<u>\$ 7,250,634</u>	<u>\$ 1,042,623</u>	<u>\$ 178,069</u>	<u>\$ 267,003</u>	<u>\$ 8,738,329</u>	<u>\$ (169,131)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Pension Trust Fund	Private-Purpose Trust Fund	Totals
	Employee Retirement	Cemetery	
Assets			
Restricted assets			
Cash	\$ 17,232	\$ 134,555	\$ 151,787
Investments, at fair value	1,265,772		1,265,772
Total assets	1,283,004	134,555	1,417,559
Liabilities			
Accounts payable		7,057	7,057
Total liabilities	-	7,057	7,057
Net Position			
Assets held in trust for pension benefits and other purposes	\$ 1,283,004	\$ 127,498	\$ 1,410,502

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For The Year Ended June 30, 2020

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	
	<u>Employee Retirement</u>	<u>Cemetery</u>	<u>Totals</u>
Additions			
Contributions	\$ 218,595		\$ 218,595
Cemetery sales		34,025	34,025
Investment income:			
Interest and dividends	27,341	3,865	31,206
Net change in fair value investments	44,924		44,924
Gain on sale of assets	12,670		12,670
Total additions	<u>303,530</u>	<u>37,890</u>	<u>341,420</u>
Deductions			
Benefits	207,256		207,256
Administrative expenses	8,450	3,180	11,630
Repairs and maintenance		55,576	55,576
Total deductions	<u>215,706</u>	<u>58,756</u>	<u>274,462</u>
Change in net position	87,824	(20,866)	66,958
Net position, beginning of year	<u>1,195,180</u>	<u>148,364</u>	<u>1,343,544</u>
Net position, end of year	<u>\$ 1,283,004</u>	<u>\$ 127,498</u>	<u>\$ 1,410,502</u>

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

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Murray, Kentucky was incorporated in 1844, and operates under an elected Mayor-Council form of government, and provides the following services as authorized: public safety (police and fire), streets, planning and zoning, general administrative services, cemetery, and utilities (water and sewer system, natural gas system, sanitation department, and stormwater system).

B. Basis of Presentation – Fund Accounting

The accounts of the City of Murray are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The City has various types of funds as defined below.

Governmental funds

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund – This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established. The General Fund is considered a major fund.

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes. The City has no major special revenue funds for the current year.

Proprietary funds

These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are:

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Major enterprise funds are the natural gas, water and sewer, and sanitation department.

Internal Service Funds – These funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary funds

These funds account for assets held by the City as a trustee or agent for individuals, private organizations, and other units of governments. These funds consist of the following fund types:

Pension Trust Fund – This fund was established to provide pension benefits for employees of the police and fire departments who were not transferred to the hazardous service coverage of CERS.

Nonexpendable Trust Fund – This fund is used to account for the maintenance of the cemetery.

C. Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all funds of the primary government except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting and Measurement Focus – Continued

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements. The government-wide Statement of Activities presents a comparison between expenses and program revenues. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants received that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which governmental functions are self-financing or draw from the general revenues of the City. Direct expenses are those that are clearly identifiable within a specific function or activity.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of the governmental and enterprise fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are aggregated and presented in a single column on the face of the proprietary funds statements. Governmental fund types use the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as susceptible to accrual).

Revenues are measurable when they are subject to reasonable estimation, while the collection will occur either (1) during the current period or (2) after the end of the period but in time to pay fund liabilities. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues (including taxpayer-assessed taxes), fees, and nontax revenues are recognized when received. Grants, entitlements, and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Property tax revenues are recognized when they are levied, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt which is recorded when due. Fiduciary funds account for assets held by the City in a trustee capacity. These funds use the accrual basis of accounting and the economic resources measurement focus.

D. Cash and cash equivalents

For purposes of the proprietary statement of cash flows, the City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and readily convertible to cash.

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Interfund receivables and payables arise from activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are identified as due to/due from other funds.

F. Investments

The City's investment policy requires that funds held by the City be invested in obligations of the U.S. government or U.S. government agencies, or certificates of deposit or similar instruments of banks or savings and loan institutions. Investments are stated at cost, which approximates market, in all funds except the Police and Firemen's Pension Fund. Investments for this fund are stated at fair value.

G. Capital Assets

The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In government-wide and proprietary fund financial statements, capital assets are recorded at historical cost or estimated historical cost if actual is unavailable. It is the City's policy to capitalize expenditures greater than or equal to \$1,000 with an estimated useful life greater than one year. Donated capital assets are recorded at estimated fair market value at the date of donation. Estimated historical cost was used to value infrastructure assets acquired prior to July 1, 2002, in the governmental activities. Depreciation expense is recorded in the statement of activities, and accumulated depreciation is reflected in the statement of net position. In the governmental fund statements, capital assets are accounted for as capital expenditures of the funds upon acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Capital Assets - Continued

Capital assets acquired for proprietary funds are capitalized within the respective funds. Depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable assets are as follows:

	Useful Life (Years)
Infrastructure	25 - 50
Utility Plant	33 - 50
Machinery and equipment	5 - 20
Buildings	25 - 33
Vehicles	4 - 5

H. Restricted Assets

Because of certain requirements, the City established and maintains prescribed amounts of resources (consisting of cash and temporary investments) that can be used only for specified purposes.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has both deferred outflows and deferred inflows related to its pension plan and other post-employment benefits.

J. Compensated Absences

Under terms of employment, the City provides full-time employees with paid vacation and sick leave in varying amounts based on years of service. Employees who have accrued 36 days unused sick leave at the end of the fiscal year are paid for 75% of the sick leave accrued. Employees who have met the minimum accruals and have one or more days of sick leave are paid 50% of the sick leave accrued at the end of the fiscal year. All unused sick leave may be carried forward to apply toward the maximum accrual of 180 days. Employees who have successfully met retirement requirements and have received approval for retirement from the Kentucky Retirement System may elect to either be compensated for 50% of accrued sick leave or apply toward early retirement. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. For governmental fund financial statements, a liability is recorded only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

K. Pensions

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

L. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported in the government-wide statements. The long-term debt consists primarily of notes payable and bonds payable. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources and repayments as expenditures. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Equity Classification

Equity in the government-wide statements is classified as net position and displayed in three components:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of assets subject to external constraints on their use imposed by creditors, laws or regulations of other governments. This component would also include constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets”. Generally, these net assets represent those financial resources that are available to the Board to meet any future obligations that might arise.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund classification includes amounts that cannot be spent because they are either (1) not in spendable form – prepaid items or inventories; or (2) legally or contractually required to be maintained intact. At June 30, 2020, none of the City’s fund balances were classified as nonspendable.

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

Restricted fund balance – This classification reflects the constraints imposed on resources, either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by ordinances of the city council – the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the city council removes the specified use by taking the same kind of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The city council and the mayor have the authority to assign amounts to be used for specific purposes through executive or municipal orders.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. Unassigned fund balance in the general fund is the net resources in excess of what can be properly classified in one of the above four categories.

When restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then committed and assigned, and then unassigned resources as they are needed.

N. Property Tax Revenue

Property taxes are levied on September 30 based on the assessed value of property as listed on the previous January 1, and are due on the following October 31. Assessed values are an approximation of market value. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

O. Postemployment Healthcare Benefits

The City does not provide postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) and those provided by CERS. The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City.

P. Postemployment Employment Benefits Other Than Pensions-(OPEB)

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and the Budgetary Process

The City Council adopts an annual operating budget, which can be amended by the council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City; however, legal budgets are adopted only for the General Fund and Special Revenue Funds. All budgets adopted are prepared in accordance with generally accepted accounting principles.

At the fund level, actual expenditures cannot exceed budgeted appropriations. However, with proper approval by the City Council, budgetary transfers between departments can be made. All budget amendments were approved by the City Council and are included in the “final budget” column of the General Fund budgetary statement presented as required supplementary information.

B. Deficits in Fund Equity and Net Position

A deficit of \$411,739 exists in the Central Garage Fund as of June 30, 2020, resulting from excess expenditures incurred and the pension and OPEB adjustments required by the new accounting standards adopted during the current and prior years. The general fund is liable for any deficit in this fund and provides transfers when cash is required. The Governmental Activities on the Statement of Net Assets reported a deficit of \$950,237, resulting from the pension and OPEB adjustments during the current year.

NOTE 3 – DETAIL NOTES

A. Deposits with Financial Institutions

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents and restricted assets. The City’s investment policy requires that funds held directly by the City be invested in obligations of the United States government or United States government agencies, or certificates of deposit or similar instruments of banks or savings and loan institutions. Custodial credit risk of deposits is the risk that in the event of a bank failure the government’s deposits may not be returned to it. Interest-bearing and non-interest-bearing deposits are each covered by federal depository insurance up to \$250,000. Deposits over the insured amounts are covered by collateral held by the City’s agent in the City’s name. At June 30, 2020, all bank balances were covered by insurance or adequately collateralized. All funds are classified as public funds.

B. Investments

The City’s investments are held in trust and asset management accounts for the Police and Fireman’s Pension Fund. Investments at June 30, 2020, are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Equity	\$ 815,803	64.4%
Fixed Income	285,324	22.5%
Bond Fund	164,680	13.0%
	<u>\$1,265,807</u>	100%

Custodial credit risk – This is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The investments listed above are exposed to custodial credit risk in that they are uninsured and held by the counterparty’s trust department in the City’s name.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the City’s investments were rated as shown in the above table.

Concentrations of credit risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy as required by KRS 66.480 does not place a fixed percentage limit for any one issuer. At June 30, 2020, the City had two instances of investments with a single issuer exceeding 5% of total investments, as shown in the above table.

NOTE 3 – DETAIL NOTES- Continued

C. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The property assessment date is January 1, with taxes levied on September 30 and due on October 31. Property taxes receivable as of June 30, 2020, are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2019	\$ 183,081
2018	74,214
2017	40,239
2016	31,452
2015	45,297
Total Property Taxes Receivable	374,283
Less Allowance For Uncollectible	<u>(170,477)</u>
Net Property Taxes Receivable	<u>\$ 203,806</u>

D. Interfund Transactions

Interfund receivables and payables at June 30, 2020, for operating expenses were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 20,458	\$ -
Central Garage Fund	62	171,985
Water & Sewer		62
Gas Fund	<u>171,985</u>	<u>20,458</u>
Total Due To	<u>\$ 192,505</u>	<u>\$ 192,505</u>

The following interfund transfers were made during the year:

	<u>Municipal Road Aid Fund</u>	<u>E-911 Fund</u>	<u>ABC Fund</u>	<u>Water & Sewer</u>	<u>Gas</u>	<u>Sanitation</u>	<u>Total Transfers In</u>
General Fund	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 1,000,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 1,415,000</u>
Total Transfers Out	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 1,000,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 1,415,000</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property, Plant, and Equipment

Capital asset activity for the year is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 528,939	\$ 200,000	\$ -	\$ 728,939
Construction in Progress	59,131			59,131
Total Capital Assets Not Being Depreciated	<u>\$ 588,070</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 788,070</u>
Capital Assets, Being Depreciated:				
Buildings	4,511,419			4,511,419
Machinery and equipment	5,181,549	74,332	(434,641)	4,821,240
Infrastructure	13,392,411	641,787		14,034,198
Total Capital Assets Being Depreciated	<u>\$ 23,085,379</u>	<u>\$ 716,119</u>	<u>\$ (434,641)</u>	<u>\$ 23,366,857</u>
Less Accumulated Depreciation For:				
Buildings	(1,203,062)	(157,718)		(1,360,780)
Machinery and equipment	(3,069,268)	(240,259)	248,396	(3,061,131)
Infrastructure	(4,727,449)	(304,150)		(5,031,599)
Total Accumulated Depreciation	<u>\$ (8,999,779)</u>	<u>\$ (702,127)</u>	<u>\$ 248,396</u>	<u>\$ (9,453,510)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 14,085,600</u>	<u>\$ 13,992</u>	<u>\$ (186,245)</u>	<u>\$ 13,913,347</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,673,670</u>	<u>\$ 213,992</u>	<u>\$ (186,245)</u>	<u>\$ 14,701,417</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets				
Land	\$ 1,423,351	\$ 150		\$ 1,423,501
Construction in progress	383,130	493,114		876,244
Buildings	3,767,012	15,231		3,782,243
Machinery and equipment	7,909,112	125,608	(609,123)	7,425,597
Drainage improvement	2,250,097	91,059		2,341,156
Utility plant	126,483,425	6,215,546	(17,328)	132,681,643
Total Capital Assets	<u>\$ 142,216,127</u>	<u>\$ 6,940,708</u>	<u>\$ (626,451)</u>	<u>\$ 148,530,384</u>
Less Accumulated Depreciation For:				
Buildings	(1,862,229)	(125,745)		(1,987,974)
Machinery and equipment	(5,812,156)	(451,733)	609,123	(5,654,766)
Drainage improvement	(414,503)	(58,902)		(473,405)
Utility plant	(37,776,788)	(1,497,107)	52,367	(39,221,528)
Total Accumulated Depreciation	<u>\$ (45,865,676)</u>	<u>\$ (2,133,487)</u>	<u>\$ 661,490</u>	<u>\$ (47,337,673)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 96,350,451</u>	<u>\$ 4,807,221</u>	<u>\$ 35,039</u>	<u>\$ 101,192,711</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property, Plant, and Equipment - Continued

Depreciation was charged to governmental functions as follows:

General government	\$	34,864
Police department		127,391
Fire department		180,760
Street department		327,736
Tourism		10,826
Central garage		20,550
	\$	<u>702,127</u>

F. Restricted Assets

Restricted assets at June 30, 2020 consisted of the following cash accounts:

General Fund		
CDBG Housing	\$	65,268
Special revenue funds		957,859
Employee benefits		<u>339,010</u>
Total governmental funds		<u>1,362,137</u>
Water and Sewer		
Meter deposits		380,258
Bond and interest reserve		5,632,845
Renewal and replacement		565,878
Natural Gas		
Meter deposits		397,693
Sanitation		
Landfill postclosure reserve		<u>364,813</u>
Total Business-Type funds		<u>7,341,487</u>
Total Restricted Assets	\$	<u>8,703,624</u>

G. Retirement Plan

Plan Description- The City contributes to the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS), which consists of two plans – Nonhazardous and Hazardous. Each plan is a cost-sharing multiple employer defined benefit pension plan. The plans were established in 1958 by the Kentucky General Assembly in order to supplement the benefits provided by Social Security. Under the provisions of Kentucky Revised Statute Section 61.645, the KRS Board of Trustees administers the Kentucky Retirement Systems Insurance Fund. All regular full-time employees of the City are eligible to participate in the plans. The plans provide for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Under the City's plans, any member, age 65 or older, with at least 1 month of service credit may elect to receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest. A member, age 65 or older, with at least 48 months of service credit is eligible to receive an unreduced monthly benefit for life based on the member's salary and service credit. A member with 27 or more years of service credit can retire at any time with no reduction in benefits. A member with at least 25, but less than 27 years of service credit, may retire at any time, prior to age 65, with a reduction in benefits. A member age 55, with at least 5 years of service credit, may retire with a reduction in benefits. For the year ended June 30, 2020, the City's total covered payroll was \$7,922,654. Covered payroll refers to all compensation paid by the City to active employees covered by the plans.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Contributions- The contribution requirements of plan members and the City are established by state statute. Employee contributions for plan members who began participating with KRS prior to September 1, 2008, were 5% for nonhazardous employees and 8% for hazardous employees of their annual creditable compensation to KRS. Those who began on or after September 1, 2008, contribute a total of 6% for nonhazardous and 9% for hazardous of all their creditable compensation to KRS. One percent of each employee’s contribution is deposited to the KRS Pension Fund 401(h) account for the payment of health insurance benefits. If a member terminates his/her employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in his/her account; however, the 1% contributed to the 401(h) account is non-refundable and is forfeited. Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan, a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund. Employer contribution rates were adopted by the Board of KRS based on actuarially recommended rates. The required contribution rates for the year ended June 30, 2019, were 19.3% for pension and 4.76% for health insurance for nonhazardous employees and 30.06% for pension and 9.25% insurance hazardous employees. The City’s contributions to the plans for the year ended June 30, 2020, were \$2,452,217.

Pension Liabilities- At June 30, 2020, the City reported a liability of \$11,932,756 for its proportionate share of the net pension liability of the nonhazardous plan and \$17,784,182 for the hazardous plan. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City’s proportion was 0.169667 percent for the nonhazardous plan and 0.64382 percent for the hazardous plan.

Pension Expense- For the year ended June 30, 2020, the City recognized pension expense of \$2,104,053 for the nonhazardous plan and \$3,897,102 for the hazardous plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
CERS Nonhazardous	\$ 304,679	\$ 50,419
CERS Hazardous	755,608	
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	229,062	421,423
CERS Hazardous	273,580	525,272
Change of assumptions		
CERS Nonhazardous	1,207,730	
CERS Hazardous	1,726,296	
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous	907,976	206,886
CERS Hazardous	702,263	124,197
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	850,058	
CERS Hazardous	1,057,574	
Total	<u>\$ 8,014,826</u>	<u>\$ 1,328,197</u>

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

The deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	
2021	\$ 2,725,002
2022	1,451,736
2023	572,582
2024	29,677
	<u>\$ 4,778,997</u>

Actuarial Assumptions- The total pension liability is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary Increases	3.30 percent, average, including inflation
Investment Rate of Return	6.25 percent., net of pension plan investment expense including inflation
Payroll Growth Rate	2.00 percent

For CERS, Mortality rates for the period after service retirement are according to the MP-2014 mortality improvement scale using a base year of 2019 for all active and retired employees and beneficiaries. The MP-2014 mortality improvement scale using a base year of 2019 set back four years for male and female is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement 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 contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
CERS:			
Nonhazardous-Net Pension Liability	\$ 14,924,493	\$ 11,932,756	\$ 9,439,172
Hazardous-Net Pension Liability	\$ 22,234,219	\$ 17,784,182	\$ 14,135,795

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems comprehensive annual financial report.

Murray Convention and Visitors Bureau

Employees of the Murray Convention and Visitors Bureau, which is reported as a special revenue fund of the City, have an individual employer account with CERS. The basic information about the pension plan has been reported above. Therefore, only those items specific to the Murray Convention and Visitors Bureau are included here.

Contributions - The Murray Convention and Visitors Bureau's contributions to the plan for the year ended June 30, 2020, were \$18,902.

Pension Liabilities - At June 30, 2020, the Murray Convention and Visitors Bureau reported a liability of \$241,937 for its proportionate share of the net pension liability of the plan. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Murray Convention and Visitors Bureau's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020 the Murray Convention and Visitors Bureau's proportion was 0.003440 percent.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Bureau's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Bureau'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:

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Murray Convention and Visitors Bureau

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
CERS:			
Nonhazardous-Net Pension Liability	\$ 302,594	\$ 241,937	\$ 191,379

Pension Expense - For the year ended June 30, 2020, the Murray Convention and Visitors Bureau recognized pension expense of \$50,221.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2020, the Murray Convention and Visitors Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,177	\$ 1,022
Difference between projected and actual investment earnings on Plan investments	4,644	8,544
Change of assumptions	24,487	
Change in proportion and differences between employer contributions and proportionate share of contributions	16,715	2,788
Employer contributions subsequent to the measurement date	18,902	
Total	<u>\$ 70,925</u>	<u>\$ 12,354</u>

The deferred outflows of resources resulting from the Murray Convention and Visitors Bureau's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2021	\$ 23,937
2022	10,779
2023	4,677
2024	276
	<u>\$ 39,669</u>

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Police and Firemen's Pension Fund

On August 1, 1988, the City adopted an ordinance to participate in the CERS plan (described above) for all current employees of the police and fire departments, as well as those hired after August 1, 1988. Former employees of the police and fire departments who were receiving benefits on August 1, 1988, were not transferred to CERS. These benefits are continuing to be paid from the Police and Firemen's Pension Fund, a fiduciary fund of the City, which has assets with a fair value of \$1,283,004 at June 30, 2020. An actuarial valuation was performed as of June 30, 2016, and submitted by the actuary in December 2017. However, there was no indication that the plan had adopted the provisions of GASB 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25, effective for fiscal years beginning after June 15, 2013. This standard revised existing standards of financial reporting by state and local government pension plans. Management is currently evaluating the effects of adopting GASB 68 on this fiduciary plan. None of the previous pension disclosures include any activity in this plan for the current or prior year.

H. Postemployment Benefits Other Than Pensions (OPEB)

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

Contributions – As more fully described in Note G, plan members contribute to CERS for nonhazardous and hazardous job classifications. For the year ending June 30, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 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 actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2020, the City contributed \$209,652, or 100% of the required contribution for non-hazardous job classifications, and \$334,663, or 100% of the required contribution for hazardous job classifications. Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date: Tier 1 Participation date Before July 1, 2003 Insurance eligibility 10 years of service credit required Benefit 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 Insurance eligibility 10 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually Tier 2 Participation date After September 1, 2008 and before December 31, 2013 Insurance eligibility 15 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually Tier 3 Participation date After December 31, 2013 Insurance eligibility 15 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability of the nonhazardous plan as \$2,852,999 and \$4,762,418 for the hazardous plan. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.16962 percent for the nonhazardous plan and 0.0064369 percent for the hazardous plan.

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,151,527. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
CERS Nonhazardous	\$ -	\$ 860,816
CERS Hazardous		885,965
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	18,792	145,510
CERS Hazardous	32,544	306,352
Change of assumptions		
CERS Nonhazardous	844,229	5,645
CERS Hazardous	1,439,182	9,017
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous	329,810	66,278
CERS Hazardous	230,014	29,470
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	270,911	
CERS Hazardous	338,344	
Total	<u>\$ 3,503,826</u>	<u>\$ 2,309,053</u>

The \$605,844 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. This includes adjustments of \$61,259 for the nonhazardous implicit subsidy and \$3,411 for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30	
2021	\$ 381,440
2022	128,130
2023	25,119
2024	42,034
2025	1,793
Thereafter	7,002
	<u>\$ 585,518</u>

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)

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

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30%, average
Investment rate of return	6.25%
Municipal bond index rate	
Prior measurement date	3.62%
Measurement date	3.13%
Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation	
Prior measurement date	5.85%
Measurement date	5.68%
Healthcare trend rates	
Pre-65	Initial trend starting at 7.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Mortality rates used for active members is PUB-2010 General (non-hazardous) and Public Safety (hazardous) Mortality Tables projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from the MP-2014 mortality scale using a base year of 2010 is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the City’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68% for non-hazardous and 5.69% for hazardous, as well as what the City’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% for hazardous) or 1-percentage-point higher (6.68% for non-hazardous and 6.69% for hazardous) than the current rate: Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Nonhazardous-Net OPEB Liability	\$ 3,821,845	\$ 2,852,999	\$ 2,054,735

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Hazardous-Net OPEB Liability	\$ 6,644,533	\$ 4,762,418	\$ 3,234,688

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)

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

	Decrease (1%)	Current Cost Trend Rate	Increase (1%)
Nonhazardous-Net OPEB Liability	\$ 2,121,790	\$ 2,852,999	\$ 3,739,677

	Decrease (1%)	Current Cost Trend Rate	Increase (1%)
Hazardous-Net OPEB Liability	\$ 3,313,763	\$ 4,762,418	\$ 6,529,699

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

Employees of the Murray Convention and Visitors Bureau, which is reported as a special revenue fund of the City, have an individual employer account with CERS. The basic information about the OPEB plan has been reported above. Therefore, only those items specific to the Murray Convention and Visitors Bureau are included here.

OPEB Liability- At June 30, 2020, the Bureau reported a liability of \$57,842 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Bureau. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Bureau’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Bureau’s proportion was 0.003440% for CERS OPEB.

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
CERS:			
Nonhazardous-Net OPEB Liability	<u>\$ 77,485</u>	<u>\$ 57,842</u>	<u>\$ 41,658</u>

NOTE 3 – DETAIL NOTES – (Continued)

H. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)

Murray Convention and Visitors Bureau

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

	Decrease (1%)	Current Cost Trend Rate	Increase 1%
CERS:			
Nonhazardous-Net OPEB Liability	<u>\$ 43,018</u>	<u>\$ 57,842</u>	<u>\$ 75,819</u>

OPEB expense- For the year ended June 30, 2020, the Bureau recognized OPEB expense of \$6,813. At June 30, 2020, the Bureau reported deferred outflows of resources and deferred inflows of resources related to the medical expense OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 17,452
Difference between projected and actual investment earnings on Plan investments	381	2,950
Change of assumptions	17,116	114
Change in proportion and differences between employer contributions and proportionate share of contributions	4,753	1,831
Employer contributions subsequent to the measurement date	<u>4,998</u>	
Total	<u>\$ 27,248</u>	<u>\$ 22,347</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$4,997 resulting from Bureau contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Bureau’s OPEB expense as follows:

<u>Year Ending June 30</u>	
2021	\$ 39
2022	39
2023	855
2024	(710)
2025	(364)
Thereafter	<u>44</u>
	<u>\$ (97)</u>

NOTE 3 – DETAIL NOTES – (Continued)

I. Long-Term Liabilities

Long-term liabilities include compensated absences, pension liabilities, and long-term debt of the City. The liability for compensated absences is liquidated 90% by the General Fund, with the remaining amount attributable to internal service funds. Pension liabilities and OPEB, due to their unique nature, are discussed separately in Note 3 and, therefore, are not included in this discussion.

Notes and bonds payable at June 30, 2020, are summarized, as follows:

Governmental Activities

BB&T notes payable - due in scheduled maturities through January 13, 2023	\$ 127,530
TMB note payable - monthly payments of \$13,688 through July 23, 2035, including interest at 2.78%	2,002,455
Community Financial Services Bank note payable - monthly payments of \$8,524 through May 5, 2024, including interest at 2.78%	377,185
Murray Bank- Murray Convention Center debt monthly installments for 60 months at 4.18% after 60 months, rate changes to 5.5 for 180 months	105,884
	\$ 2,613,054

Water and Sewer Fund

Kentucky Infrastructure Authority Revolving Loan Fund - Fund B Loan Construction Loan- upon completion will be due in schedule maturities for twenty years at .5%	\$ 1,200,000
Kentucky Infrastructure Authority Revolving Loan Fund - due in scheduled maturities through June 1, 2029, at 1%	582,870
Kentucky Infrastructure Authority Revolving Loan Fund - Fund A Loan Construction Loan- upon completion will be due in schedule maturities for twenty years at .5%	876,265
Kentucky Infrastructure Authority Revolving Loan Fund - Fund A Loan Construction Loan- upon completion will be due in schedule maturities for twenty years at 1%	60,626,641
	\$ 63,285,776

NOTE 3 – DETAIL NOTES – (Continued)

I. Long-Term Liabilities- Continued

The annual debt service requirements to maturity for the above long-term debt as of June 30, 2020, are presented below:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 253,386	\$ 68,089	\$ 2,906,776	\$ 738,687
2022	260,432	61,220	2,969,984	708,361
2023	246,172	54,667	2,999,048	673,343
2024	211,655	49,596	3,028,404	637,975
2025	125,330	43,438	3,058,047	602,259
2026-2030	743,468	161,890	15,677,228	2,463,288
2031-2035	762,195	59,085	16,020,616	1,529,165
2036-2040	10,416	25	13,443,301	521,522
2041			3,182,372	62,500
Totals	<u>\$ 2,613,054</u>	<u>\$ 498,010</u>	<u>\$ 63,285,776</u>	<u>\$ 7,937,100</u>

The following is a summary of the City's long-term liability activity for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
BB&T - Fire Truck	\$ 175,045		\$ 47,515	\$ 127,530	\$ 48,622
The Murray Bank	2,108,450		105,995	2,002,455	107,604
Community Financial Services	467,589		90,404	377,185	93,011
Murray Conven Cent-MB	110,931		5,047	105,884	4,149
Compensated absences	499,819	10,751		510,570	316,235
	<u>\$ 3,361,834</u>	<u>\$ 10,751</u>	<u>\$ 248,961</u>	<u>\$ 3,123,624</u>	<u>\$ 569,621</u>
Business-type activities					
KADD	\$ 410,000	\$ -	\$ 410,000	\$ -	\$ -
KIA 19/003	-	1,200,000	-	1,200,000	71,495
KIA 19/31	-	876,265	-	876,265	34,513
KIA	644,462		61,592	582,870	62,209
KIA 12/12	57,444,269	3,182,372		60,626,641	2,738,559
Compensated absences	269,062	2,759		271,821	178,921
	<u>\$ 58,767,793</u>	<u>\$ 5,261,396</u>	<u>\$ 471,592</u>	<u>\$ 63,557,597</u>	<u>\$ 3,085,697</u>

NOTE 3 – DETAIL NOTES – (Continued)

J. Conduit Debt Obligations

As of June 30, 2020, the City of Murray had the following bond issues outstanding related to the acquisition and construction of facilities:

Murray State University	\$ 6,580,000
Murray Calloway County Hospital	<u>36,180,566</u>
Total principal amounts payable	<u>\$ 42,760,566</u>

K. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. To obtain insurance of these risks, the City participates in the Kentucky League of Cities Insurance Services (KLCIS). These public entity risk pools operate as common risk managements and insurance programs for participating cities and other governmental entities in Kentucky. The City pays an annual premium to each fund for coverage. City employees are provided traditional health care insurance that covers hospitalization and major medical expenses within specified limits. The plan is self-funded by the City and administered by a third-party administrator. The City pays the administrator a fee for various claim administration services. The City pays all claims after the third-party administrator who in turn issues individual claim checks. The City carries stop-loss insurance against catastrophic losses. The premiums for these policies are billed by the third-party administrator to the City. The claims liability reported in the Medical Insurance Fund at June 30, 2020 was estimated using information provided by the third-party administrators.

L. Commitments and Contingencies

The City has possible contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management and counsel believe that the probable solution of such contingencies will not materially affect the financial position or results of operations of the City.

M. Claims and Judgments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 4- SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated transactions and events for potential recognition or disclosure through January 16, 2021, the date financial statements were available to be issued.

Effect of COVID-19 Pandemic

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the City is likely to be determined by factors which are uncertain, unpredictable and outside of the control of the City. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

NOTE 5- IMPLEMENTATION OF GASB PRONOUNCEMENTS

The City is currently reviewing the provisions as outlined in GASB Statement 95 to determine the impact of implementation in future periods.

Statement No. 87 – Leases (FY2022), Statement No 89 – Accounting for Interest Costs Incurred before the End of a Construction Period (FY2022), Statement No 91 – Conduit Debt Obligations (FY2022).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net Pension Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Nonhazardous					
Total Net Pension Liability for County Employees Retirement System	\$ 4,299,525,565	\$ 4,923,618,237	\$ 5,853,307,482	\$ 6,090,304,793	\$ 7,033,044,552
Employer's Proportion (Percentage) of Net Pension Liability	0.182299%	0.17017%	0.15129%	0.14659%	0.169667%
Employers Proportion (Amount) of Net Pension Liability	\$ 7,837,990	\$ 8,378,483	\$ 8,855,527	\$ 8,927,778	\$ 11,932,756
Employer's Covered-Employer payroll	\$ 4,218,402	\$ 3,742,209	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	185.80%	223.89%	236.11%	201.56%	270.93%
Total Pension Plan's Fiduciary Net Position	\$ 6,440,800	\$ 6,141,394,419	\$ 6,687,237,095	\$ 7,018,963,000	\$ 7,159,921
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,544,538	\$ 13,109,268,000	\$ 14,192,966
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	55.50%	53.32%	53.54%	50.45%
Hazardous					
Total Net Pension Liability for County Employees Retirement System	\$ 1,535,105,880	\$ 1,715,941,441	\$ 2,237,278,530	\$ 2,418,456,933	\$ 2,762,295,373
Employer's Proportion (Percentage) of Net Pension Liability	0.64550%	0.64198%	0.60017%	0.59519%	0.64382%
Employers Proportion (Amount) of Net Pension Liability	\$ 9,909,090	\$ 11,016,022	\$ 13,427,519	\$ 14,394,390	\$ 17,784,182
Employer's Covered-Employer payroll	\$ 3,419,071	\$ 3,398,434	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	289.82%	324.15%	395.27%	382.77%	505.49%
Total Pension Plan's Fiduciary Net Position	\$ 2,078,201,667	\$ 2,010,174,047	\$ 2,217,996,000	\$ 2,348,337,000	\$ 2,413,708
Total Pension's Plan Pension Liability	\$ 3,613,307,547	\$ 3,726,115,488	\$ 4,455,275,000	\$ 4,766,794,000	\$ 5,176,003
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	57.52%	53.95%	49.78%	49.26%	46.63%

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net Pension Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
CERS:					
Nonhazardous					
Total Net Pension Liability for County Employees Retirement System	\$ 4,299,525,565	\$ 4,923,618,237	\$ 5,853,307,482	\$ 6,090,304,793	\$ 7,033,044,552
Employer's Proportion (Percentage) of Net Pension Liability	0.003142%	0.00268%	0.00324%	0.00310%	0.00344%
Employers Proportion (Amount) of Net Pension Liability	\$ 135,095	\$ 132,132	\$ 189,647	\$ 188,982	\$ 241,937
Employer's Covered-Employer payroll	\$ 73,309	\$ 72,185	\$ 79,230	\$ 75,595	\$ 88,423
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	184.28%	183.05%	239.36%	249.99%	273.61%
Total Pension Plan's Fiduciary Net Position	\$ 6,440,800	\$ 6,141,394,419	\$ 6,687,237,095	\$ 7,018,963,000	\$ 7,159,921
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,544,538	\$ 13,109,268,000	\$ 14,192,966
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	55.50%	53.32%	53.54%	50.45%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:						
Nonhazardous	2014	2015	2016	2017	2018	2019
Statutorily required contribution for pension	\$ 761,704	\$ 732,091	\$ 699,046	\$ 543,083	\$ 718,443	\$ 850,058
System's contributions in relation to the statutorily required contribution	<u>(761,704)</u>	<u>(732,091)</u>	<u>(699,046)</u>	<u>(543,083)</u>	<u>(718,443)</u>	<u>(850,058)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 4,032,313	\$ 4,143,147	\$ 3,742,209	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445
Contributions as a percentage of its covered employee payroll	18.89%	17.67%	18.68%	14.48%	16.22%	19.30%
 Hazardous						
Statutorily required contribution for pension	\$ 1,002,863	\$ 1,152,159	\$ 1,055,553	\$ 753,837	\$ 935,249	\$ 1,057,574
System's contributions in relation to the statutorily required contribution	<u>(1,002,863)</u>	<u>(1,152,159)</u>	<u>(1,055,553)</u>	<u>(753,837)</u>	<u>(935,249)</u>	<u>(1,057,574)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 2,809,140	\$ 3,358,076	\$ 3,398,434	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209
Contributions as a percentage of its covered employee payroll	35.70%	34.31%	31.06%	22.19%	24.87%	30.06%

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center

CERS:

Nonhazardous	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contribution for pension	\$ 13,318	\$ 9,381	\$ 7,624	\$ 10,005	\$ 11,136	\$ 14,074
System's contributions in relation to the statutorily required contribution	<u>(13,318)</u>	<u>(9,381)</u>	<u>(7,624)</u>	<u>(10,005)</u>	<u>(11,136)</u>	<u>(14,074)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 70,506	\$ 73,309	\$ 72,185	\$ 79,230	\$ 75,595	\$ 88,423
Contributions as a percentage of its covered employee payroll	18.89%	12.80%	10.56%	12.63%	14.73%	15.92%

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CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net OPEB Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:	<u>2017</u>	<u>2018</u>	<u>2019</u>
Nonhazardous			
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122	\$ 1,681,954,950
Employer's Proportion (Percentage) of Net OPEB Liability	0.15129%	0.14658%	0.16962%
Employers Proportion (Amount) of Net OPEB Liability	\$ 3,041,467	\$ 2,602,570	\$ 2,852,999
Employer's Covered-Employer payroll	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	81.09%	58.76%	64.78%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000	\$ 2,569,511,000
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000	\$ 4,251,466,000
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%	60.4%
Hazardous			
Total Net OPEB Liability	\$ 826,671,577	\$ 712,959,449	\$ 739,859,800
Employer's Proportion (Percentage) of Net OPEB Liability	0.60017%	0.59522%	0.64369%
Employers Proportion (Amount) of Net OPEB Liability	\$ 4,961,451	\$ 4,243,699	\$ 4,762,418
Employer's Covered-Employer payroll	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	146.05%	112.85%	135.36%
Total Plan's Fiduciary Net Position	\$ 1,189,001,387	\$ 1,280,982,000	\$ 1,340,714,000
Total Plan OPEB Liability	\$ 2,015,672,964	\$ 1,993,941,000	\$ 2,080,574,000
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	59.0%	64.2%	64.4%

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's Proportionate Share of the Net OPEB Liability
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center			
CERS:	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Nonhazardous</u>			
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122	\$ 1,681,954,950
Employer's Proportion (Percentage) of Net OPEB Liability	0.00324%	0.00310%	0.00344%
Employers Proportion (Amount) of Net OPEB Liability	\$ 65,135	\$ 55,093	\$ 57,842
Employer's Covered-Employer payroll	\$ 79,230	\$ 75,595	\$ 88,423
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	82.21%	72.88%	65.42%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000	\$ 2,569,511,000
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000	\$ 4,251,466,000
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%	60.4%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's OPEB Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:

Nonhazardous

	2017	2018	2019
Statutorily required contribution for employer	\$ 176,280	\$ 232,985	\$ 209,652
System's contributions in relation to the statutorily required contribution	<u>(176,280)</u>	<u>(232,985)</u>	<u>(209,652)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445
Contributions as a percentage of its covered employee payroll	4.70%	5.26%	4.76%

Hazardous

Statutorily required contribution for employer	\$ 317,627	\$ 393,730	\$ 334,933
System's contributions in relation to the statutorily required contribution	<u>(317,627)</u>	<u>(393,730)</u>	<u>(334,933)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209
Contributions as a percentage of its covered employee payroll	9.35%	10.47%	9.52%

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of City of Murray's OPEB Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

Murray Convention Center

CERS:

Nonhazardous

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contribution for employer	\$ 4,452	\$ 4,272	\$ 4,564
System's contributions in relation to the statutorily required contribution	<u>(4,452)</u>	<u>(4,272)</u>	<u>(4,564)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 75,595	\$ 75,595	\$ 88,423
Contributions as a percentage of its covered employee payroll	5.89%	5.65%	5.16%

All schedules are to be 10-year schedules; however, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2020

Notes to Schedules

The following change was made by the Kentucky Legislature and reflected in the valuation performed as of June 30:

2019-

The assumptions were updated as of result of an experience study for the five-year period ending June 30, 2018. The investment rate of return remained unchanged from at 6.25% from the prior measurement date. The discount rate remained unchanged at 6.25% from the prior measurement date. The inflation rate remained unchanged at 2.30% from the prior measurement date. Projected salary increases 3.30% to 11.50% - non-hazardous and 3.05% to 18.55% - hazardous. Exhibit A-6 -106- Notes to Required Supplementary Information for the Year Ended June 30, 2020. The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

2018-

- House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.
- House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017-

- The assumed investment rate decreased from 7.5 % to 6.25%
- The assumed rate of inflation was reduced from 3.50% to 2.3%
- Payroll growth assumption was reduced from 4.00% to 2.00%

2015 –

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

2014 –

- A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions-

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

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2020

Notes to Schedules

2013 –

- The amortization period of the unfunded accrued liability was reset to a closed 30-year period.

Method and assumptions used in calculations of actuarially determined contributions-

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- | | |
|---------------------------------|---|
| • Actuarial cost method | Entry age |
| • Amortization method | Level percentage of payroll, closed |
| • Remaining amortization period | 30 years |
| • Asset valuation method | 5-year smoothed market |
| • Inflation | 3.5 percent |
| • Salary increases | 4.5 percent, average, including inflation |
| • Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL- GENERAL FUND
For The Year Ended June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues				
Property taxes	\$ 3,287,000	\$ 3,287,000	\$ 3,207,190	\$ (79,810)
Insurance tax	1,635,000	1,635,000	1,797,531	162,531
Occupational tax	4,000,500	4,000,500	4,034,319	33,819
Franchise taxes	180,000	180,000	198,395	18,395
Occupational business licenses	375,000	375,000	341,013	(33,987)
Payments in lieu of taxes	65,000	65,000	59,758	(5,242)
Bank shares	127,000	127,000	136,951	9,951
License and permits	85,000	85,000	47,138	(37,862)
Fines and fees	42,000	42,000	17,851	(24,149)
Intergovernmental revenue	22,000	22,000	25,000	3,000
Interest	75,000	75,000	90,761	15,761
Miscellaneous income	184,400	184,400	238,879	54,479
Grant funds received	4,747,514	5,028,514	2,558,699	(2,469,815)
Transient room tax	270,000	270,000	-	(270,000)
Total revenues	<u>15,095,414</u>	<u>15,376,414</u>	<u>12,753,485</u>	<u>(2,622,929)</u>
Expenditures				
General government	7,072,475	7,353,475	5,006,989	2,346,486
Police department	4,842,661	4,842,661	4,013,867	828,794
Fire department	4,361,209	4,361,209	3,488,985	872,224
Street department	1,052,477	1,052,477	962,388	90,089
Planning and zoning	614,556	614,556	457,794	156,762
Debt service				
Principal			243,914	(243,914)
Interest			77,059	(77,059)
Total expenditures	<u>17,943,378</u>	<u>18,224,378</u>	<u>14,250,996</u>	<u>3,973,382</u>
Revenues over (under) expenditures	<u>(2,847,964)</u>	<u>(2,847,964)</u>	<u>(1,497,511)</u>	<u>1,350,453</u>
Other Financing Sources (Uses)				
Transfer from other funds	1,415,000	1,415,000	1,415,000	-
Total other financing sources (uses)	<u>1,415,000</u>	<u>1,415,000</u>	<u>1,415,000</u>	<u>-</u>
Net change in fund balance	(1,432,964)	(1,432,964)	(82,511)	1,350,453
Fund balance, beginning of year	5,399,515	5,399,515	7,791,138	2,391,623
Fund balance, end of year	<u>\$ 3,966,551</u>	<u>\$ 3,966,551</u>	<u>\$ 7,708,627</u>	<u>\$ 3,742,076</u>

SUPPLEMENTARY AND OTHER INFORMATION SECTION

CITY OF MURRAY, KENTUCKY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Assets							
Cash	\$ -	\$ -	\$ 118,188	\$ -	\$ -		\$ 118,188
Accounts receivable			-	-		215,524	215,524
Restricted assets	543,233	251,525	112,663	40,150	10,288		957,859
Total assets	<u>\$ 543,233</u>	<u>\$ 251,525</u>	<u>\$ 230,851</u>	<u>\$ 40,150</u>	<u>\$ 10,288</u>	<u>\$ 215,524</u>	<u>\$ 1,291,571</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 109,118	\$ 6,511	\$ 915	\$ -	\$ -	\$ 18	\$ 116,562
Accrued expenditures			2,446				2,446
Accrued wages			2,796				2,796
Total liabilities	<u>109,118</u>	<u>6,511</u>	<u>6,157</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>121,804</u>
Fund Balances							
Restricted	434,115	245,014	224,694	40,150	10,288	215,506	1,169,767
Total fund balances	<u>434,115</u>	<u>245,014</u>	<u>224,694</u>	<u>40,150</u>	<u>10,288</u>	<u>215,506</u>	<u>1,169,767</u>
Total liabilities and fund balances	<u>\$ 543,233</u>	<u>\$ 251,525</u>	<u>\$ 230,851</u>	<u>\$ 40,150</u>	<u>\$ 10,288</u>	<u>\$ 215,524</u>	<u>\$ 1,291,571</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Revenues							
Intergovernmental revenues	\$ 352,131	\$ -	\$ -	\$ 2,315	\$ -	\$ -	\$ 354,446
Interest earned	6,431	2,276	1,025	27	128	2,310	12,197
Telephone line charges		208,140					208,140
Transient room tax			304,047				304,047
Alcoholic beverage license fees						1,092,601	1,092,601
Other			40,524	-	404	-	40,928
Total revenues	<u>358,562</u>	<u>210,416</u>	<u>345,596</u>	<u>2,342</u>	<u>532</u>	<u>1,094,911</u>	<u>2,012,359</u>
Expenditures							
Street department	167,967						167,967
E-911		63,225					63,225
Tourism commission			260,850				260,850
Freedom fest			16,568				16,568
Drug programs				33,022			33,022
Alcoholic beverage control						64	64
Debt Service							
Principal			5,047				5,047
Interest			4,553				4,553
Total expenditures	<u>167,967</u>	<u>63,225</u>	<u>287,018</u>	<u>33,022</u>	<u>-</u>	<u>64</u>	<u>551,296</u>
Revenues over (under) expenditures	190,595	147,191	58,578	(30,680)	532	1,094,847	1,461,063
Other Financing Sources (Uses)							
Transfer to other funds	<u>(50,000)</u>	<u>(50,000)</u>				<u>(1,000,000)</u>	<u>(1,100,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,100,000)</u>
Net change in fund balance	140,595	97,191	58,578	(30,680)	532	94,847	361,063
Fund balance, beginning of year	<u>293,520</u>	<u>147,823</u>	<u>166,116</u>	<u>70,830</u>	<u>9,756</u>	<u>120,659</u>	<u>808,704</u>
Fund balance, end of year	<u>\$ 434,115</u>	<u>\$ 245,014</u>	<u>\$ 224,694</u>	<u>\$ 40,150</u>	<u>\$ 10,288</u>	<u>\$ 215,506</u>	<u>\$ 1,169,767</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2020

	Central Garage	Medical Insurance Fund	Totals
Assets			
Current Assets			
Accounts receivable	\$ 25,388	\$ -	\$ 25,388
Due from other funds	62	-	62
Materials and supplies, at average cost	42,157		42,157
Total current assets	<u>67,607</u>	<u>-</u>	<u>67,607</u>
Noncurrent Assets			
Buildings	225,000		225,000
Machinery and equipment	246,815		246,815
Accumulated depreciation	(371,607)		(371,607)
Restricted assets	-	339,010	339,010
Total noncurrent assets	<u>100,208</u>	<u>339,010</u>	<u>439,218</u>
Total assets	<u>167,815</u>	<u>339,010</u>	<u>506,825</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	108,017		108,017
Deferred outflows related to OPEB	45,020		45,020
Total deferred outflows	<u>153,037</u>	<u>-</u>	<u>153,037</u>
Liabilities			
Current liabilities			
Accounts payable	19,363	108,413	127,776
Accrued salaries	35,034		35,034
Due to other funds	171,985		171,985
Accrued claims incurred but not reported		224,760	224,760
Total current liabilities	<u>226,382</u>	<u>333,173</u>	<u>559,555</u>
Long-term Liabilities			
Net pension liability	365,142		365,142
Net OPEB liability	87,302		87,302
Total noncurrent liabilities	<u>452,444</u>	<u>-</u>	<u>452,444</u>
Total liabilities	<u>678,826</u>	<u>333,173</u>	<u>1,011,999</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	20,770		20,770
Deferred inflows related to OPEB	32,995		32,995
Total deferred inflows	<u>53,765</u>	<u>-</u>	<u>53,765</u>
Net Position			
Investment in capital assets	100,208		100,208
Restricted		339,010	339,010
Unrestricted	(511,947)	(333,173)	(845,120)
Total net position	<u>\$ (411,739)</u>	<u>\$ 5,837</u>	<u>\$ (405,902)</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2020

	Central Garage	Medical Insurance Fund	Totals
Operating Revenues			
Charges for interfund services	\$ 547,456		\$ 547,456
Contributions to fund		1,615,291	1,615,291
Total operating revenues	<u>547,456</u>	<u>1,615,291</u>	<u>2,162,747</u>
Operating Expenses			
Depreciation	20,550		20,550
Parts rebilled	120,248		120,248
Petroleum products	167,937		167,937
Other garage expenses	307,490		307,490
Claims paid		1,235,973	1,235,973
Administrative costs		448,815	448,815
Wellness incentives		5,107	5,107
Total operating expenses	<u>616,225</u>	<u>1,689,895</u>	<u>2,306,120</u>
Operating income (loss)	(68,769)	(74,604)	(143,373)
Non-Operating Revenues (Expenses)			
Interest and dividend income		5,153	5,153
Change in net position	<u>(68,769)</u>	<u>(69,451)</u>	<u>(138,220)</u>
Net position-beginning of year	<u>(342,970)</u>	<u>75,288</u>	<u>(267,682)</u>
Net position-end of year	<u>\$ (411,739)</u>	<u>\$ 5,837</u>	<u>\$ (405,902)</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2020

	Central Garage	Medical Insurance Fund	Totals
Cash Flows From Operating Activities			
Cash paid to suppliers	\$ (328,478)	-	\$ (328,478)
Cash paid for employees	(221,032)	(5,107)	(226,139)
Cash received for premiums		1,615,291	1,615,291
Cash paid for claims		(1,330,562)	(1,330,562)
Cash paid for administrative expenses		(448,815)	(448,815)
Cash received from interfund services provided	549,510		549,510
Net cash provided (used) by operating activities	-	(169,193)	(169,193)
Cash Flow From Investing Activities			
Interest and dividends		5,153	5,153
Net cash provided by investing activities	-	5,153	5,153
Net increase (decrease) in cash and cash equivalents	-	(164,040)	(164,040)
Cash and cash equivalents-beginning		503,050	503,050
Cash and cash equivalents-ending	\$ -	\$ 339,010	\$ 339,010
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (68,769)	\$ (74,604)	\$ (143,373)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	20,550		20,550
Pension/OPEB expense	41,689		41,689
(Increase) Decrease in operating assets:			
Accounts receivable	2,054		2,054
Due from other funds	(62)		(62)
Material and supplies	8,109		8,109
Increase (Decrease) in operating liabilities:			
Accounts payable	(8,458)		(8,458)
Accrued expenses	2,116	(94,589)	(92,473)
Due to other funds	2,771		2,771
Net cash provided by operating activities	\$ -	\$ (169,193)	\$ (169,193)

CITY OF MURRAY, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Total Federal Expenditures</u>
U.S. Department of Transportation			
Passed-Through Kentucky Transportation Cabinet:			
Highway Planning and Construction	20.205	\$ 3,460,000	\$ 775,760
State and Community Highway Safety	20.616	13,000	1,426
State and Community Highway Safety	20.600	13,900	1,523
Total U.S. Department of Transportation		<u>3,486,900</u>	<u>778,709</u>
U. S. Department of Justice			
Public Safety Partnership and Community Policing Grants	16.710	<u>74,216</u>	<u>\$ 52,707</u>
U.S. Environmental Protection Agency			
Revolving Loan Program with Kentucky Infrastructure Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	** \$ 61,515,000	1,370,372
Capitalization Grants for Clean Water State Revolving Funds	66.458	** \$ 1,450,000	304,464
Total U.S. Environmental Protection Agency		<u>\$ 62,965,000</u>	<u>1,674,836</u>
Total Expenditures of Federal Awards		<u><u>\$ 66,526,116</u></u>	<u><u>\$ 2,506,252</u></u>

** Major Program

CITY OF MURRAY, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Murray, Kentucky, under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Murray, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Murray, Kentucky.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - IN-DIRECT COST RATE

The City of Murray, Kentucky has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's 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***

Honorable Mayor Bob Rogers and
Members of the City Council
City of Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Murray, Kentucky's basic financial statements, and have issued our report thereon dated January 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Murray, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Murray, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Murray, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

ROMAINE & TOWERLY

Certified Public Accountants
Mayfield, Kentucky
January 16, 2021

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance
Required By The Uniform Guidance**

Honorable Mayor Bob Rogers and
Members of the City Council
City of Murray, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance (Continued)

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

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

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

ROMAINE & TOWERY

Certified Public Accountants
Mayfield, Kentucky
January 16, 2021

CITY OF MURRAY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2020

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with uniform guidance 516(a)? _____ yes _____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Clusters
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? _____ yes _____ no

Section II- Financial Statement Findings

No Matters were reported

Section III- Federal Award Findings and Questioned Costs

No Matters were reported

Section IIII- Prior Year Financial Statement Findings

No Matters were reported

Section V- Prior Year Federal Award Findings and Questioned Costs

No Matters were reported