

CITY OF MURRAY, KENTUCKY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

CITY OF MURRAY, KENTUCKY
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INTRODUCTORY SECTION

CITY OF MURRAY, KENTUCKY

June 30, 2021

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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, the budgetary comparison information on page 55, schedules related to pensions on pages 45-47, and OPEB schedules on pages 48-51 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 24, 2022, 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 & TOWER

Certified Public Accountants

Mayfield, Kentucky

January 24, 2022

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, 2021. 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 \$60,842,081. This represents an overall increase of \$5,788,033 (10.5%) over the prior year. A breakout shows an increase of \$4,735,376 (8.5%) in business-type activities and an increase of \$1,052,657 (110.8%) in governmental activities.
- In the General Fund, revenues and other financing sources exceed expenditures and other uses by \$687,404, increasing the fund balance to \$8,396,031 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) have a combined, positive net income totaling \$4,735,376 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, 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 \$810,639 (6.4%) while total Governmental Funds revenue increased \$694,972 (4.7%).

- General Fund expenditures decreased \$120,276 (.8%) while total Governmental Fund expenditures increased \$328,142 (2.2%).
- Occupational license tax (payroll tax), the largest single revenue category for the General Fund, decreased \$58,864 (1.5%) to \$3,975,455. The decrease can be attributed to a decrease of employment opportunities due to the extended effects of COVID restrictions.
- The second largest single revenue category, property taxes, increased \$356,314 (11.1%) to \$3,563,504. This increase can be attributed, in part, to a reduction of delinquent property taxes as property owners took advantage of lower interest rates to refinance property.
- Insurance premium tax revenue decreased \$29,730 (1.7%). The decrease may be a residual effect of the tax rate change from 8.5% to 7.25% in FY20.
- Grant receipts for the year are \$3,016,995– a 17.9% increase from the prior year.

Business-type Activities

Murray Water and Sewer System

- The Water and Sewer System’s total operating revenues are \$10,784,052. When compared to the total operating expenses of \$7,275,141, an operating income of \$3,508,911 exists.
- The change in net position is an increase of \$3,947,405 when non-operating revenues of \$543,494 and transfers to other funds of \$105,000 are considered.

Murray Natural Gas System

- The Gas System’s total operating revenues are \$7,837,966. When compared to the total operating expenses of \$7,539,879, operating income of \$298,087 exists.
- The change in net position is an increase of \$195,900 when non-operating revenues of \$2,813 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 \$3,709,671. When compared to the total operating expenses of \$3,343,846, an operating income of \$365,825 exists.
- The change in net position is an increase of \$287,153 when non-operating revenue of \$26,328 and transfer to other funds of \$105,000 are considered.

Stormwater Utility

- The Stormwater Utility’s total operating revenues are \$569,464. When compared to the total operating expenses of \$265,619, an operating income of \$303,845 exists.
- The change in net position is an increase of \$304,918 when non-operating revenue of \$1,073 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, 2021, the City’s proportional share of net pension liability is \$30,556,327, an increase of 2.8% (\$839,389) 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 \$15,887,422 for governmental funds, as can be seen in the Statement of Net Position page 9.

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

	<u>FYE 6/30/21</u>	<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>Net Pension Liabilities</u>					
Nonhazardous	\$12,829,317	\$11,932,756	\$ 8,927,778	\$ 8,855,527	\$ 8,378,483
Hazardous	<u>\$17,727,010</u>	<u>\$17,784,182</u>	<u>\$14,394,390</u>	<u>\$13,427,519</u>	<u>\$11,016,022</u>
Total	\$30,556,327	\$29,716,938	\$23,322,168	\$22,283,046	\$19,394,505
<u>Pension Expenses</u>					
Nonhazardous	\$2,133,868	\$2,104,053	\$1,039,744	\$1,218,302	\$1,141,560
Hazardous	<u>\$2,774,228</u>	<u>\$3,897,102</u>	<u>\$2,614,341</u>	<u>\$2,206,897</u>	<u>\$1,246,840</u>
Total	\$4,908,096	\$6,001,155	\$3,654,085	\$3,425,199	\$2,388,400

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%
FY22-23	26.79%	49.59%

“The CERS Board of Trustees met on December 1, 2021 and adopted CERS employer contribution rates for Fiscal Year 2023. These rates are effective July 2022 and were set in accordance with KRS 61.565(5) which caps CERS employer rate increases up to 12% over the prior fiscal year for the period of July1, 2018 to June 30, 2028.” kyret.ky.gov

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, 2021 the City's proportionate share of the net OPEB liability of the nonhazardous plan is \$4,037,854 and \$5,431,606 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 30-35.

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 36-40.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- In Governmental Activities, property, plant and equipment increased by a total cost of \$2,432,716. This consists of an increase of \$2,338,401 in Construction in Progress for the partial construction of a new Murray Fire Station I to replace one to be demolished, a net increase of \$85,345 in Machinery and Equipment, and an increase of \$8,970 in Infrastructure. Net of depreciation, the total Net Capital Assets – Governmental increased by \$1,920,870.
- In the Business-type Activities, property, plant and equipment increased by a total cost of \$1,977,168. This consists of a decrease of \$26,547 in Construction in Process, an increase of \$98,053 in Buildings, a decrease of \$275,141 in Machinery and Equipment, an increase of \$238,661 in Drainage Improvement, and an increase of \$1,942,142 in Utility Plants. Net of depreciation, the total Net Capital Assets – Business Type increased by \$1,977,168.

Debt

- No new debt in General Governmental Activities has been issued during the fiscal year. As of June 30, 2021, the total capital debt outstanding for General Governmental Activities is \$1,973,844 which is a decrease of \$533,326 over the prior year.
-
- New debt issued for Business-type Activities includes \$228,505 (net of principal payment) for construction of a new clear well, \$539,222 (net) for construction and services related to the Combined Sewer Project, and a net reduction of \$1,719,302 for additional debt issued less principal payments related to the Waste Water Treatment Plant improvements. As of June 30, 2021, the total debt outstanding for Business-Type Activities is \$62,271,992, which is a decrease of \$1,013,784 over the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Preliminary data for the City in fiscal year 2022 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 years 2020 and 2021. The impact of the pandemic will likely have a similar effect on fiscal year 2022, 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, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash in banks and on hand	\$ 7,703,159	\$ 22,807,203	\$ 30,510,362
Receivables (net of allowance for uncollectible)			
Taxes	176,793		176,793
Customer		1,359,244	1,359,244
Other	2,130,307	6,853	2,137,160
Internal balances	(267,755)	267,755	-
Materials and supplies, at average cost	54,866	453,237	508,103
Noncurrent assets			
Net capital assets	16,622,287	101,503,586	118,125,873
Restricted assets	1,655,983	8,795,681	10,451,664
Total assets	<u>28,075,640</u>	<u>135,193,559</u>	<u>163,269,199</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	4,134,329	2,028,286	6,162,615
Deferred outflows related to OPEB	2,608,568	1,600,214	4,208,782
Total deferred outflows	<u>6,742,897</u>	<u>3,628,500</u>	<u>10,371,397</u>
Liabilities			
Accounts payable	1,244,852	909,897	2,154,749
Accrued salaries and wages	131,112	75,715	206,827
Other accrued liabilities	138,230	98,121	236,351
Customer deposits		712,085	712,085
Accrued interest payable		273,685	273,685
Noncurrent liabilities			
Net pension liability	21,337,719	9,482,146	30,819,865
Net OPEB liability	6,568,028	2,984,377	9,552,405
Due within one year	473,522	3,155,512	3,629,034
Due in more than one year:			
Accrued compensated absences	219,825	385,710	605,535
Notes payable	1,909,645	59,116,479	61,026,124
Total non-current liabilities	<u>30,508,739</u>	<u>75,124,224</u>	<u>61,631,659</u>
Total liabilities	<u>32,022,933</u>	<u>77,193,727</u>	<u>109,216,660</u>
Deferred inflows of Resources			
Deferred inflows related to pensions	1,390,861	255,961	1,646,822
Deferred inflows related to OPEB	1,302,323	632,710	1,935,033
Total deferred inflows	<u>2,693,184</u>	<u>888,671</u>	<u>3,581,855</u>
Net Position			
Net investment in capital assets	14,019,295	39,231,595	53,250,890
Restricted for			
CDBG housing	65,185		65,185
Special purposes	1,127,745		1,127,745
Employee benefits	777,617		777,617
Debt service		7,082,077	7,082,077
Renewal and replacement		565,878	565,878
Landfill post closure reserve		369,914	369,914
Unrestricted	(15,887,422)	13,490,197	(2,397,225)
Total net position	<u>\$ 102,420</u>	<u>\$ 60,739,661</u>	<u>\$ 60,842,081</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, 2021

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) Total</u>
Governmental activities					
General government	\$ 2,373,560	\$ 552,928	\$ 2,804,995	\$ 212,000	\$ 1,196,363
Community development	378,996				(378,996)
Police department	5,477,023				(5,477,023)
Fire department	4,639,430				(4,639,430)
Street department	1,191,230				(1,191,230)
Tourism	268,294	228,091			(40,203)
Municipal aid	357,526				(357,526)
E-911	392,429				(392,429)
Alcohol beverage control	197	1,077,660			1,077,463
Drug court awards	18,754				(18,754)
Unallocated interest expense	72,484				(72,484)
Total governmental activities	<u>15,169,923</u>	<u>\$ 1,858,679</u>	<u>\$ 2,804,995</u>	<u>\$ 212,000</u>	<u>\$ (10,294,249)</u>
Business-Type activities					
Water and sewer	7,984,683	10,487,240		1,200,000	3,702,557
Natural gas	7,551,600	7,777,225			225,625
Sanitation	3,343,846	3,694,239		16,000	366,393
Stormwater	265,619	567,814			302,195
Total business-type activities	<u>19,145,748</u>	<u>22,526,518</u>	<u>-</u>	<u>1,216,000</u>	<u>4,596,770</u>
Total primary government	<u>\$ 34,315,671</u>	<u>\$ 24,385,197</u>	<u>\$ 2,804,995</u>	<u>\$ 1,428,000</u>	<u>\$ (5,697,479)</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, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Changes in Net Position			
Net revenue (expense)	\$ (10,294,249)	\$ 4,596,770	\$ (5,697,479)
General Revenues			
Taxes			
Property taxes	3,563,504		3,563,504
Occupational taxes	3,975,455		3,975,455
Franchise taxes	187,292		187,292
Payments in lieu of taxes	67,120		67,120
Bank shares	151,180		151,180
Insurance tax	1,767,801		1,767,801
Telephone line charges	187,159		187,159
Intergovernmental	345,470		345,470
Interest	64,632	78,971	143,603
Miscellaneous	722,293	374,635	1,096,928
Transfers	315,000	(315,000)	-
Total general revenues and transfers	<u>11,346,906</u>	<u>138,606</u>	<u>11,485,512</u>
Change in net position	1,052,657	4,735,376	5,788,033
Net position-beginning	<u>(950,237)</u>	<u>56,004,285</u>	<u>55,054,048</u>
Net position-end of period	<u>\$ 102,420</u>	<u>\$ 60,739,661</u>	<u>\$ 60,842,081</u>

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

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

	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 7,547,251	\$ 155,908	\$ 7,703,159
Receivables			
Taxes (net of allowance of \$139,681)	176,793		176,793
Due from other funds	3,390	-	3,390
Other	1,803,305	299,558	2,102,863
Restricted assets	65,185	813,181	878,366
Total assets	<u>\$ 9,595,924</u>	<u>\$ 1,268,647</u>	<u>\$ 10,864,571</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 988,971	\$ 135,142	\$ 1,124,113
Accrued expenditures		2,790	2,790
Due to other funds	85,797	-	85,797
Accrued salaries and wages	125,125	2,970	128,095
Total liabilities	<u>1,199,893</u>	<u>140,902</u>	<u>1,340,795</u>
Fund Balances			
Restricted	65,185	1,127,745	1,192,930
Unassigned	8,330,846		8,330,846
Total fund balances	<u>8,396,031</u>	<u>1,127,745</u>	<u>9,523,776</u>
Total liabilities and fund balances	<u>\$ 9,595,924</u>	<u>\$ 1,268,647</u>	<u>\$ 10,864,571</u>
Reconciliation of total governmental fund balances to net position of governmental activities			
Total governmental fund balances			\$ 9,523,776
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.			
			16,542,074
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.			
			40,862
Long-term liabilities, including bonds payable and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
			<u>(26,004,292)</u>
Net position of governmental activities			<u>\$ 102,420</u>

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, 2021

	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 3,563,504		\$ 3,563,504
Insurance tax	1,767,801		1,767,801
Occupational tax	3,975,455		3,975,455
Transient room tax		228,091	228,091
Franchise taxes	187,292		187,292
Occupational business licenses	368,435		368,435
Payments in lieu of taxes	67,120		67,120
Bank shares	151,180		151,180
License and permits	71,691		71,691
Fines and fees	112,802		112,802
Telephone line charges		187,159	187,159
Intergovernmental revenue	11,449	334,021	345,470
Interest	58,077	6,273	64,350
Alcoholic beverage fees		1,077,660	1,077,660
Miscellaneous income	212,323	63,488	275,811
Grant funds received	3,016,995		3,016,995
Total revenues	<u>13,564,124</u>	<u>1,896,692</u>	<u>15,460,816</u>
Expenditures			
Current			
General government	2,139,713		2,139,713
Police department	3,930,806		3,930,806
Fire department	6,247,268		6,247,268
Street department	832,453	357,526	1,189,979
Planning and zoning	378,996		378,996
Tourism commission		201,331	201,331
E-911		392,429	392,429
Freedom fest		19,877	19,877
Drug court awards		18,754	18,754
Alcoholic beverage control		197	197
Debt service			
Principal	533,326	5,274	538,600
Interest	68,158	4,326	72,484
Total expenditures	<u>14,130,720</u>	<u>999,714</u>	<u>15,130,434</u>
Revenues over (under) expenditures	<u>(566,596)</u>	<u>896,978</u>	<u>330,382</u>
Other Financing Sources (Uses)			
Transfers from other funds	1,365,000		1,365,000
Transfers to other funds	(111,000)	(939,000)	(1,050,000)
Total other financing sources (uses)	<u>1,254,000</u>	<u>(939,000)</u>	<u>315,000</u>
Net change in fund balance	687,404	(42,022)	645,382
Fund balance, beginning	7,708,627	1,169,767	8,878,394
Fund balance, end of year	<u>\$ 8,396,031</u>	<u>\$ 1,127,745</u>	<u>\$ 9,523,776</u>

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, 2021

Net change in fund balance-total governmental funds	\$	645,382
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
		1,940,866
<p>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.</p>		
Principal payments on debt		538,600
<p>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.</p>		
		50,716
<p>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.</p>		
Pension expense		(1,991,249)
OPEB expense		(578,422)
<p>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.</p>		
		446,764
Change in net position of governmental activities	\$	1,052,657

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2021

	Business-Type Activities				Totals	Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater		Internal Service
Assets						
Cash and cash equivalents	\$ 14,067,280	\$ 6,131,480	\$ 2,110,624	\$ 497,819	\$ 22,807,203	\$ -
Receivables (net of allowances)						
Customers	677,820	338,355	304,325	38,744	1,359,244	
Miscellaneous	1,115	565	91	506	2,277	27,444
Prepaid	1,716	1,716	1,144		4,576	
Due from other funds	85,797	185,348			271,145	
Materials and supplies, at average cost	285,595	167,642			453,237	54,866
Total current assets	<u>15,119,323</u>	<u>6,825,106</u>	<u>2,416,184</u>	<u>537,069</u>	<u>24,897,682</u>	<u>82,310</u>
Noncurrent assets						
Construction in progress	713,259		136,438		849,697	
Utility plant in service	123,699,115	10,924,670			134,623,785	
Land	443,997	924,980	54,524		1,423,501	
Buildings	910,975	2,536,754	432,567		3,880,296	225,000
Machinery and equipment	906,543	604,035	1,297,587	92,382	2,900,547	246,815
Vehicles	917,872	97,785			1,015,657	
Other equipment	1,467,396	1,710,435	56,421		3,234,252	
Drainage improvement				2,579,817	2,579,817	
Accumulated depreciation	(39,319,170)	(7,634,564)	(1,466,199)	(584,033)	(49,003,966)	(391,602)
Restricted assets	8,035,764	390,003	369,914		8,795,681	777,617
Total noncurrent assets	<u>97,775,751</u>	<u>9,554,098</u>	<u>881,252</u>	<u>2,088,166</u>	<u>110,299,267</u>	<u>857,830</u>
Total assets	<u>112,895,074</u>	<u>16,379,204</u>	<u>3,297,436</u>	<u>2,625,235</u>	<u>135,196,949</u>	<u>940,140</u>
Deferred Outflows of Resources						
Deferred outflows related to pensions	1,097,661	817,219	82,961	30,445	2,028,286	88,769
Deferred outflows related to OPEB	862,137	648,875	65,385	23,817	1,600,214	69,499
Total deferred outflows	<u>1,959,798</u>	<u>1,466,094</u>	<u>148,346</u>	<u>54,262</u>	<u>3,628,500</u>	<u>158,268</u>
Liabilities						
Current Liabilities						
Accounts payable	379,168	206,625	250,215	73,889	909,897	120,739
Accrued salaries and wages	41,184	31,264	2,125	1,142	75,715	35,986
Accrued compensated absences	228,428	103,194	28,877	25,211	385,710	
Accrued liabilities	28,693	25,999	43,429		98,121	135,440
Due to other funds	-	3,390			3,390	185,348
Current portion of bonds/notes payable	2,954,271				2,954,271	
Customer deposits	324,175	387,910			712,085	
Accrued interest						
Bonds	53,162				53,162	
Customer deposits	85,528	134,995			220,523	
Total current liabilities	<u>4,094,609</u>	<u>893,377</u>	<u>324,646</u>	<u>100,242</u>	<u>5,412,874</u>	<u>477,513</u>
Noncurrent liabilities						
Net pension liability	5,108,633	3,844,946	387,445	141,122	9,482,146	411,821
Net OPEB liability	1,607,873	1,210,145	121,943	44,416	2,984,377	129,615
Notes payable	59,317,720				59,317,720	
Total noncurrent liabilities	<u>66,034,226</u>	<u>5,055,091</u>	<u>509,388</u>	<u>185,538</u>	<u>71,784,243</u>	<u>541,436</u>
Total liabilities	<u>70,128,835</u>	<u>5,948,468</u>	<u>834,034</u>	<u>285,780</u>	<u>77,197,117</u>	<u>1,018,949</u>
Deferred Inflows of Resources						
Deferred inflows related to pensions	137,903	103,789	10,459	3,810	255,961	11,117
Deferred inflows related to OPEB	340,881	256,560	25,853	9,416	632,710	27,480
Total deferred inflows	<u>478,784</u>	<u>360,349</u>	<u>36,312</u>	<u>13,226</u>	<u>888,671</u>	<u>38,597</u>
Net Position						
Net investment in capital assets	27,467,996	9,164,095	511,338	2,088,166	39,231,595	80,213
Restricted for						
Employee benefit trust						777,617
Debt service	7,082,077				7,082,077	
Renewal and replacement	565,878				565,878	
Landfill post closure reserve			369,914		369,914	
Unrestricted	9,131,302	2,372,386	1,694,184	292,325	13,490,197	(816,968)
Total net position	<u>\$ 44,247,253</u>	<u>\$ 11,536,481</u>	<u>\$ 2,575,436</u>	<u>\$ 2,380,491</u>	<u>\$ 60,739,661</u>	<u>\$ 40,862</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, 2021

	Business-Type Activities					Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Operating Revenues						
Charges for services	\$ 10,336,551	\$ 7,713,490	\$ 3,694,239	\$ 567,814	\$ 22,312,094	\$ -
Interfund service provided					-	576,102
Tap-on fees	150,689	63,735			214,424	
Miscellaneous revenues	296,812	60,741	15,432	1,650	374,635	
Contributions to medical insurance fund					-	1,792,740
Total operating revenues	10,784,052	7,837,966	3,709,671	569,464	22,901,153	2,368,842
Operating Expenses						
Water plant expenses	1,706,329				1,706,329	
Sewer plant expenses	1,466,309				1,466,309	
Water and sewer field operations	1,443,068				1,443,068	
Gas purchased		4,278,233			4,278,233	
Engineering operations	117,979				117,979	
General office operations	492,578				492,578	
Administration expenses	414,304				414,304	485,067
Other operating expenses					-	642,781
Depreciation	1,634,574	440,880	42,678	71,823	2,189,955	19,996
Gas plant expenses		2,820,766			2,820,766	
Transfer station and landfill expenses			3,301,168		3,301,168	
Stormwater expenses				193,796	193,796	
Medical claims paid					-	774,516
Total operating expenses	7,275,141	7,539,879	3,343,846	265,619	18,424,485	1,922,360
Operating income (loss)	3,508,911	298,087	365,825	303,845	4,476,668	446,482
Non-operating Revenues (Expenses)						
Interest and dividend income	53,036	14,534	10,328	1,073	78,971	282
Interest expense	(709,542)	(11,721)		-	(721,263)	
Contributed capital	1,200,000		16,000		1,216,000	
Total non-operating revenues (expenses)	543,494	2,813	26,328	1,073	573,708	282
Income before transfers	4,052,405	300,900	392,153	304,918	5,050,376	446,764
Operating Transfers						
From (to) other funds	(105,000)	(105,000)	(105,000)		(315,000)	
Change in net position	3,947,405	195,900	287,153	304,918	4,735,376	446,764
Net position-beginning of period	40,299,848	11,340,581	2,288,283	2,075,573	56,004,285	(405,902)
Net position-end of period	\$ 44,247,253	\$ 11,536,481	\$ 2,575,436	\$ 2,380,491	\$ 60,739,661	\$ 40,862

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, 2021

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Cash Flows From Operating Activities						
Cash received from customers	\$ 10,747,220	\$ 7,743,470	\$ 3,723,799	\$ 563,987	\$ 22,778,476	\$ -
Cash paid to suppliers	(3,846,514)	(5,122,050)	(2,671,657)	(21,094)	(11,661,315)	(342,772)
Cash paid for employees and benefits	(2,009,596)	(1,610,945)	(546,888)	(73,850)	(4,241,279)	(231,273)
Cash received from interfund services provided						1,012,370
Customer deposits received (refunded)	14,340	(1,250)			13,090	
Net cash provided by operating activities	<u>4,905,450</u>	<u>1,009,225</u>	<u>505,254</u>	<u>469,043</u>	<u>6,888,972</u>	<u>438,325</u>
Cash Flow From Noncapital Financing Activities						
Transfer to other funds	(105,000)	(105,000)	(105,000)		(315,000)	
Landfill closure funded			(5,102)		(5,102)	
Cash received for interfund payables	(85,858)	(30,431)	-		(116,289)	
Net cash provided (used) by noncapital financing activities	<u>(190,858)</u>	<u>(135,431)</u>	<u>(110,102)</u>	<u>-</u>	<u>(436,391)</u>	<u>-</u>
Cash Flows From Capital And Related Financing Activities						
Capital contributions	1,200,000		16,000		1,216,000	
Acquisition and construction of capital assets	(1,998,864)	(190,333)	(19,398)	(292,235)	(2,500,830)	-
Proceeds from debt	1,719,328				1,719,328	
Principal paid on capital debt	(2,733,114)				(2,733,114)	
Interest paid on capital debt	(749,063)				(749,063)	
Interest paid on customer deposits	(6,194)	(6,258)			(12,452)	
Net cash provided (used) by capital and related financing activities	<u>(2,567,907)</u>	<u>(196,591)</u>	<u>(3,398)</u>	<u>(292,235)</u>	<u>(3,060,131)</u>	<u>-</u>
Cash Flows From Investing Activities						
Interest and dividends	53,036	14,534	10,328	1,073	78,971	282
Net cash provided by investing activities	<u>53,036</u>	<u>14,534</u>	<u>10,328</u>	<u>1,073</u>	<u>78,971</u>	<u>282</u>
Net increase (decrease) in cash and cash equivalents	2,199,721	691,737	402,082	177,881	3,471,421	438,607
Cash and cash equivalents at beginning of year	19,903,323	5,829,746	1,708,542	319,938	27,761,549	339,010
Cash and cash equivalents at end of year	<u>\$ 22,103,044</u>	<u>\$ 6,521,483</u>	<u>\$ 2,110,624</u>	<u>\$ 497,819</u>	<u>\$ 31,232,970</u>	<u>\$ 777,617</u>
Cash and cash equivalents are included on the Statement of Net Position as:						
Cash and cash equivalents	\$ 14,067,280	\$ 6,131,480	\$ 2,110,624	\$ 497,819	\$ 22,807,203	
Restricted assets	8,035,764	390,003			8,425,767	777,617
Total	<u>\$ 22,103,044</u>	<u>\$ 6,521,483</u>	<u>\$ 2,110,624</u>	<u>\$ 497,819</u>	<u>\$ 31,232,970</u>	<u>\$ 777,617</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, 2021

	Business-Type Activities					Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities						
Operating income	\$ 3,508,911	\$ 298,087	\$ 365,825	\$ 303,845	\$ 4,476,668	\$ 446,482
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	1,634,574	440,880	42,678	71,823	2,189,955	19,996
Pension/OPEB expense	832,788	396,611	70,776	25,620	1,325,795	68,593
(Increase) Decrease in operating assets:						
Receivables-customers	(39,836)	(95,783)	13,877	(4,971)	(126,713)	(2,057)
Receivables-others	3,004	1,287	251	(506)	4,036	62
Prepays	1,471	1,471	981		3,923	
Inventory	54,544	(16,786)			37,758	(12,709)
Increase (Decrease) in operating liabilities:						
Accounts payable	(1,190,109)	(48,411)	(1,658)	52,095	(1,188,083)	(1,525)
Accrued expenses	85,763	33,119	12,524	21,137	152,543	(93,880)
Customer deposits	14,340	(1,250)			13,090	
Due to other funds					-	13,363
Net cash provided by operating activities	<u>\$ 4,905,450</u>	<u>\$ 1,009,225</u>	<u>\$ 505,254</u>	<u>\$ 469,043</u>	<u>\$ 6,888,972</u>	<u>\$ 438,325</u>

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

**CITY OF MURRAY, KENTUCKY
STATEMENT OF FIDUCIARY FUNDS**

NET POSITION

June 30, 2021

	Pension Trust Fund	Private-Purpose Trust Fund	
	Employee Retirement	Cemetery	Totals
Assets			
Restricted assets			
Cash	\$ 10,452	\$ 121,177	\$ 131,629
Receivable		\$ 2,125	2,125
Investments, at fair value	1,604,071		1,604,071
Total assets	1,614,523	123,302	1,737,825
Liabilities			
Accounts payable		13,915	13,915
Total liabilities	-	13,915	13,915
Net Position			
Assets held in trust for pension benefits and other purposes	\$ 1,614,523	\$ 109,387	\$ 1,723,910

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, 2021

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	
	<u>Employee Retirement</u>	<u>Cemetery</u>	<u>Totals</u>
Additions			
Contributions	\$ 232,810		\$ 232,810
Cemetery sales		83,350	83,350
Investment income:			
Interest and dividends	44,832	4,815	49,647
Net change in fair value investments	230,706		230,706
Gain on sale of assets	49,127		49,127
Total additions	<u>557,475</u>	<u>88,165</u>	<u>645,640</u>
Deductions			
Benefits	215,897		215,897
Administrative expenses	10,059	55,135	65,194
Repairs and maintenance		51,141	51,141
Total deductions	<u>225,956</u>	<u>106,276</u>	<u>332,232</u>
Change in net position	331,519	(18,111)	313,408
Net position, beginning of year	<u>1,283,004</u>	<u>127,498</u>	<u>1,410,502</u>
Net position, end of year	<u>\$ 1,614,523</u>	<u>\$ 109,387</u>	<u>\$ 1,723,910</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, 2021

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 <u>(Years)</u>
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, 2021, 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

A deficit of \$498,414 exists in the Central Garage Fund as of June 30, 2021, 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.

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, 2021, 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, 2021, are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Equity	\$ 1,062,063	70.2%
Fixed Income	450,231	29.8%
	<u>\$ 1,512,294</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, 2021, 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.

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, 2021, are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2020	\$ 120,820
2019	88,258
2018	42,504
2017	38,212
2016	26,680
Total Property Taxes Receivable	316,474
Less Allowance For Uncollectible	(139,681)
Net Property Taxes Receivable	<u>\$ 176,793</u>

D. Interfund Transactions

Interfund receivables and payables at June 30, 2021, for operating expenses were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 3,390	\$ 85,797
Central Garage Fund	-	185,348
Water & Sewer	85,797	
Gas Fund	<u>185,348</u>	<u>3,390</u>
Total Due To	<u>\$ 274,535</u>	<u>\$ 274,535</u>

The following interfund transfers were made during the year:

	General Fund	Municipal Road Aid Fund	ABC Fund	Water & Sewer	Gas	Sanitation	Total Transfers In
General Fund	\$ -	\$ 50,000	\$ 1,000,000	\$ 105,000	\$ 105,000	\$ 105,000	\$ 1,365,000
E-911 Fund	<u>111,000</u>						<u>111,000</u>
Total Transfers Out	<u>\$ 111,000</u>	<u>\$ 50,000</u>	<u>\$ 1,000,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 1,476,000</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property Plant & Equipment

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 728,939	\$ -	\$ -	\$ 728,939
Construction in Progress	59,131	2,338,401		2,397,532
Total Capital Assets Not Being Depreciated	<u>\$ 788,070</u>	<u>\$ 2,338,401</u>	<u>\$ -</u>	<u>\$ 3,126,471</u>
Capital Assets, Being Depreciated:				
Buildings	4,511,419			4,511,419
Machinery and equipment	4,821,240	348,565	(263,220)	4,906,585
Infrastructure	14,034,198	8,970		14,043,168
Total Capital Assets Being Depreciated	<u>\$ 23,366,857</u>	<u>\$ 357,535</u>	<u>\$ (263,220)</u>	<u>\$ 23,461,172</u>
Less Accumulated Depreciation For:				
Buildings	(1,360,780)	(165,030)		(1,525,810)
Machinery and equipment	(3,061,131)	(279,353)	263,220	(3,077,264)
Infrastructure	(5,031,599)	(330,683)		(5,362,282)
Total Accumulated Depreciation	<u>\$ (9,453,510)</u>	<u>\$ (775,066)</u>	<u>\$ 263,220</u>	<u>\$ (9,965,356)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 13,913,347</u>	<u>\$ (417,531)</u>	<u>\$ -</u>	<u>\$ 13,495,816</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,701,417</u>	<u>\$ 1,920,870</u>	<u>\$ -</u>	<u>\$ 16,622,287</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets				
Land	\$ 1,423,501	\$ -		\$ 1,423,501
Construction in progress	876,244	50	(26,597)	849,697
Buildings	3,782,243	98,053		3,880,296
Machinery and equipment	7,425,597	167,334	(442,475)	7,150,456
Drainage improvement	2,341,156	238,661		2,579,817
Utility plant	132,681,643	1,965,096	(22,954)	134,623,785
Total Capital Assets	<u>\$ 148,530,384</u>	<u>\$ 2,469,194</u>	<u>\$ (492,026)</u>	<u>\$ 150,507,552</u>
Less Accumulated Depreciation For:				
Buildings	(1,987,974)	(128,074)		(2,116,048)
Machinery and equipment	(5,654,766)	(453,194)	442,475	(5,665,485)
Drainage improvement	(473,405)	(69,144)		(542,549)
Utility plant	(39,221,528)	(1,539,543)	81,187	(40,679,884)
Total Accumulated Depreciation	<u>\$ (47,337,673)</u>	<u>\$ (2,189,955)</u>	<u>\$ 523,662</u>	<u>\$ (49,003,966)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 101,192,711</u>	<u>\$ 279,239</u>	<u>\$ 31,636</u>	<u>\$ 101,503,586</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property, Plant, and Equipment - Continued

Depreciation was charged to governmental functions as follows:

General government	\$	32,235
Police department		173,029
Fire department		180,203
Street department		358,777
Tourism		10,826
Central garage		19,996
	\$	<u>775,066</u>

Restricted assets at June 30, 2021 consisted of the following cash accounts:

General Fund		
CDBG Housing	\$	65,185
Special revenue funds		1,127,745
Employee benefits		<u>777,617</u>
Total governmental funds		<u>1,970,547</u>
Water and Sewer		
Meter deposits		387,809
Bond and interest reserve		7,082,077
Renewal and replacement		565,878
Natural Gas		
Meter deposits		390,003
Sanitation		
Landfill postclosure reserve		<u>369,914</u>
Total Business-Type funds		<u>8,795,681</u>
Total Restricted Assets	\$	<u>10,766,228</u>

G. Retirement Plan

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

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

Contributions – For the year ended June 30, 2021, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers 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. For the year ended June 30, 2021, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

The contributions are allocated to both the pension and insurance trusts. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2021, the City contributed \$831,885 or 100% of the required contribution for non-hazardous job classifications, and \$1,064,781, for the year ended June 30, 2021, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date: Tier 1 Tier 2 Tier 3 Participation date Before September 1, 2008 Unreduced retirement 27 years' service or 65 years old and 4 years' service Reduced retirement At least 5 years' service and 55 years old or 25 years' service and any age Participation date September 1, 2008 - December 31, 2013 Unreduced retirement At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal to 87+ Reduced retirement At least 10 years' service and 60 years old Participation date After December 31, 2013 Unreduced retirement At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal to 87+ Reduced retirement Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities- At June 30, 2021, the City reported a liability of \$12,829,317 for its proportionate share of the net pension liability of the nonhazardous plan and \$17,727,010 for the hazardous plan. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 0.167268 percent for the nonhazardous plan and 0.58795 percent for the hazardous plan.

Pension Expense- For the year ended June 30, 2021, the city recognized pension expense of \$2,133,868 for the nonhazardous plan and \$2,774,228 for the hazardous plan.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2021, the city 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		
CERS Nonhazardous	\$ 319,923	\$ -
CERS Hazardous	549,784	
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	556,108	235,070
CERS Hazardous	671,301	271,953
Change of assumptions		
CERS Nonhazardous	500,963	
CERS Hazardous	672,308	
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous	529,653	111,246
CERS Hazardous	410,868	1,022,846
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	831,885	
CERS Hazardous	1,064,781	
Total	<u>\$ 6,107,574</u>	<u>\$ 1,641,115</u>

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, 2022. 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>	
2022	\$ 1,543,017
2023	696,262
2024	122,382
2025	208,132
	<u>\$ 2,569,793</u>

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Actuarial Assumptions- The total pension liability is based on an actuarial valuation date of June 30, 2020, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary Increases	3.30% to 11.55% Non-Hazardous and 3.05% to 18.55% Hazardous
Investment Rate of Return	6.25 percent
Payroll Growth Rate	2.00 percent

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019; actuarial valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target 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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

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 local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
CERS:			
Nonhazardous-Net Pension Liability	<u>\$ 15,821,340</u>	<u>\$ 12,829,317</u>	<u>\$ 10,351,809</u>
Hazardous-Net Pension Liability	<u>\$ 21,908,060</u>	<u>\$ 17,727,010</u>	<u>\$ 14,314,168</u>

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, 2021, were \$18,686.

Pension Liabilities - At June 30, 2021, the Murray Convention and Visitors Bureau reported a liability of \$263,538 for its proportionate share of the net pension liability of the plan. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 0.003436 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	<u>\$ 325,000</u>	<u>\$ 263,538</u>	<u>\$ 212,646</u>

Pension Expense - For the year ended June 30, 2021, the Murray Convention and Visitors Bureau recognized pension expense of \$47,608.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2021, 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	\$ 6,572	\$ -
Difference between projected and actual investment earnings on Plan investments	11,424	4,829
Change of assumptions	10,291	
Change in proportion and differences between employer contributions and proportionate share of contributions	8,068	878
Employer contributions subsequent to the measurement date	<u>18,686</u>	
Total	<u>\$ 55,041</u>	<u>\$ 5,707</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, 2022. 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>	
2022	\$ 15,443
2023	9,346
2024	3,209
2025	<u>2,650</u>
	<u>\$ 30,648</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 \$1,614,523 at June 30, 2021. An actuarial valuation was performed as of June 30, 2020, and submitted by the actuary in January 2021. 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 F, plan members contribute to CERS for nonhazardous and hazardous job classifications. For the year ending June 30, 2021, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers 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, 2021, the City contributed \$205,170, or 100% of the required contribution for non-hazardous job classifications, and \$337,216, 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, 2021, the City reported a liability for its proportionate share of the net OPEB liability of the nonhazardous plan as \$4,037,854 and \$5,431,606 for the hazardous plan. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the City’s proportion was 0.16722 percent for the nonhazardous plan and 0.58777 percent for the hazardous plan.

NOTE 3 – DETAIL NOTES – (Continued)

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

For the year ended June 30, 2021, the city recognized OPEB expense of \$1,482,118. At June 30, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		
CERS Nonhazardous	\$ 674,641	\$ 675,168
CERS Hazardous	186,391	542,405
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	216,601	82,392
CERS Hazardous	402,195	161,086
Change of assumptions		
CERS Nonhazardous	702,348	4,271
CERS Hazardous	886,102	5,005
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous	267,227	94,223
CERS Hazardous	165,039	353,179
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	304,267	
CERS Hazardous	362,740	
Total	<u>\$ 4,167,551</u>	<u>\$ 1,917,729</u>

The \$667,007 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. This includes adjustments of \$99,097 for the nonhazardous implicit subsidy and \$25,524 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:

<u>Year Ending June 30</u>	
2022	\$ 466,659
2023	375,985
2024	383,772
2025	334,253
2026	22,146
	<u>\$ 1,582,815</u>

NOTE 3 – DETAIL NOTES – (Continued)

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

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2018, actuarial valuation.
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	25 Years, Closed
Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05% to 18.55%, varies by service
Investment rate of return	6.25%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back one year for females).
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

Discount rate - The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34% for non-hazardous and 5.30% 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 (4.34% for non-hazardous and 4.30% for hazardous) or 1-percentage-point higher (6.34% for non-hazardous and 6.30% 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 (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Nonhazardous-Net OPEB Liability	\$ 5,187,458	\$ 4,037,854	\$ 3,093,647

NOTE 3 – DETAIL NOTES – (Continued)

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

	1% Decrease (4.30%)	Current Discount Rate (5.30%)	1% Increase (6.30%)
Hazardous-Net OPEB Liability	\$ 7,373,263	\$ 5,431,606	\$ 3,867,024

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	\$ 3,126,309	\$ 4,037,854	\$ 5,144,037

	Decrease (1%)	Current Cost Trend Rate	Increase (1%)
Hazardous-Net OPEB Liability	\$ 3,881,585	\$ 5,431,606	\$ 7,337,223

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, 2021, the Bureau reported a liability of \$82,945 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, 2020, 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, 2020, the Bureau’s proportion was 0.003435% for CERS non-hazardous OPEB.

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
CERS: Nonhazardous-Net OPEB Liability	<u>\$ 106,560</u>	<u>\$ 82,945</u>	<u>\$ 63,549</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	\$ 64,220	\$ 82,945	\$ 105,668

OPEB expense- For the year ended June 30, 2021, the Bureau recognized OPEB expense of \$11,638. At June 30, 2021, 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	\$ 13,858	\$ 13,869
Difference between projected and actual investment earnings on Plan investments	4,449	1,692
Change of assumptions	14,427	88
Change in proportion and differences between employer contributions and proportionate share of contributions	3,851	1,655
Employer contributions subsequent to the measurement date	4,646	
Total	<u>\$ 41,231</u>	<u>\$ 17,304</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$4,646 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, 2022. 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>	
2022	\$ 4,951
2023	5,767
2024	4,204
2025	4,316
2026	43
Thereafter	-
	<u>\$ 19,281</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, 2021, are summarized, as follows:

Governmental Activities

Direct Borrowings

BB&T notes payable - due in scheduled maturities through January 13, 2023	\$ 78,993
TMB note payable - monthly payments of \$13,688 through July 23, 2035, including interest at 2.78%	1,894,851
Murray Bank- Murray Convention Center debt monthly installments for 60 months at 4.18% after 60 months, rate changes to 5.55 for 180 months	100,610
	<u>\$ 2,074,454</u>

Water and Sewer Fund

Direct Borrowings

Kentucky Infrastructure Authority Revolving Loan Fund - Fund B Loan due in schedule maturities for twenty years at .5%	\$ 1,428,505
Kentucky Infrastructure Authority Revolving Loan Fund - due in scheduled maturities through June 1, 2029, at 1%	520,661
Kentucky Infrastructure Authority Revolving Loan Fund - Fund A Loan due in schedule maturities for twenty years at .5%	1,415,487
Kentucky Infrastructure Authority Revolving Loan Fund - Fund A Loan due in schedule maturities for twenty years at 1%	58,907,339
	<u>\$ 62,271,992</u>

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, 2021, are presented below:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 164,809	\$ 54,602	\$ 2,954,271	\$ 724,379
2023	147,907	50,781	2,983,179	689,548
2024	121,621	47,011	3,012,374	654,372
2025	125,403	43,438	3,041,858	618,849
2026	129,212	39,888	3,071,633	582,975
2027-2031	756,640	142,511	15,678,436	2,365,454
2032-2036	628,864	38,601	16,250,969	1,430,339
2037-2041	-	-	15,279,271	452,646
Totals	\$ 2,074,456	\$ 416,832	\$ 62,271,991	\$ 7,518,562

The following is a summary of the City's long-term liability activity for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
BB&T - Fire Truck	\$ 127,530		\$ 48,537	\$ 78,993	\$ 49,669
The Murray Bank	2,002,455		107,604	1,894,851	110,766
Community Financial Services	377,185		377,185	-	-
Murray Conven Cent-MB	105,884		5,274	100,610	4,374
Compensated absences	510,570	17,968		528,538	308,713
	<u>\$ 3,123,624</u>	<u>\$ 17,968</u>	<u>\$ 538,600</u>	<u>\$ 2,602,992</u>	<u>\$ 473,522</u>
Business-type activities					
KIA 19-003	\$ 1,200,000	300,000	71,495	1,428,505	\$ 71,853
KIA 19-31	876,265	573,735	34,513	1,415,487	69,285
KIA-Fund A	582,870		62,209	520,661	62,833
KIA 12/12	60,626,641	845,594	2,564,896	58,907,339	2,750,300
Compensated absences	271,821	113,889		385,710	201,241
	<u>\$ 63,557,597</u>	<u>\$ 1,833,218</u>	<u>\$ 2,733,113</u>	<u>\$ 62,657,702</u>	<u>\$ 3,155,512</u>

J. Conduit Debt Obligations

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the city, payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. As of June 30, 2021, the City of Murray had the following bond issues outstanding related to the acquisition and construction of facilities:

Murray State University	\$ 6,145,000
Murray Calloway County Hospital	34,981,667
Total principal amounts payable	<u>\$ 41,126,667</u>

NOTE 3 – DETAIL NOTES – (Continued)

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, 2021 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, 2021, 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 24, 2022, 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.

The City entered into a construction note with CFSB Bank in the amount of \$3,000,000 for a new fire station the note was established during this fiscal year, but no draw request on the note were received until July, 2021.

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>	<u>2020</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	\$ 7,669,917,211
Employer's Proportion (Percentage) of Net Pension Liability	0.182299%	0.17017%	0.15129%	0.14659%	0.169667%	0.167268%
Employers Proportion (Amount) of Net Pension Liability	\$ 7,837,990	\$ 8,378,483	\$ 8,855,527	\$ 8,927,778	\$ 11,932,756	\$ 12,829,317
Employer's Covered-Employer payroll	\$ 4,218,402	\$ 3,742,209	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445	\$ 4,310,286
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%	297.64%
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	\$ 7,027,327
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,544,538	\$ 13,109,268,000	\$ 14,192,966	\$ 14,697,244
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%
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	\$ 3,015,028,402
Employer's Proportion (Percentage) of Net Pension Liability	0.64550%	0.64198%	0.60017%	0.59519%	0.64382%	0.58795%
Employers Proportion (Amount) of Net Pension Liability	\$ 9,909,090	\$ 11,016,022	\$ 13,427,519	\$ 14,394,390	\$ 17,784,182	\$ 17,727,010
Employer's Covered-Employer payroll	\$ 3,419,071	\$ 3,398,434	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209	\$ 3,542,186
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%	500.45%
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	\$ 2,379,704
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	\$ 5,394,732
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%

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>	<u>2020</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	\$ 7,669,917,211
Employer's Proportion (Percentage) of Net Pension Liability	0.003142%	0.00268%	0.00324%	0.00310%	0.00344%	0.00344%
Employers Proportion (Amount) of Net Pension Liability	\$ 135,095	\$ 132,132	\$ 189,647	\$ 188,982	\$ 241,937	\$ 263,538
Employer's Covered-Employer payroll	\$ 73,309	\$ 72,185	\$ 79,230	\$ 75,595	\$ 88,423	\$ 88,000
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%	299.48%
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	\$ 7,027,327
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 11,065,012,656	\$ 12,540,544,538	\$ 13,109,268,000	\$ 14,192,966	\$ 14,697,244
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

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	2020
Statutorily required contribution for pension	\$ 761,704	\$ 732,091	\$ 699,046	\$ 543,083	\$ 718,443	\$ 850,058	\$ 831,885
System's contributions in relation to the statutorily required contribution	(761,704)	(732,091)	(699,046)	(543,083)	(718,443)	(850,058)	(831,885)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%	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	\$ 4,310,286
Contributions as a percentage of its covered employee payroll	18.89%	17.67%	18.68%	14.48%	16.22%	19.30%	19.30%
Hazardous							
Statutorily required contribution for pension	\$ 1,002,863	\$ 1,152,159	\$ 1,055,553	\$ 753,837	\$ 935,249	\$ 1,057,574	\$ 1,064,781
System's contributions in relation to the statutorily required contribution	(1,002,863)	(1,152,159)	(1,055,553)	(753,837)	(935,249)	(1,057,574)	(1,064,781)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%	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	\$ 3,542,186
Contributions as a percentage of its covered employee payroll	35.70%	34.31%	31.06%	22.19%	24.87%	30.06%	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	2014	2015	2016	2017	2018	2019	2020
Statutorily required contribution for pension	\$ 13,318	\$ 9,381	\$ 7,624	\$ 10,005	\$ 11,136	\$ 14,074	\$ 16,984
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>	<u>(16,984)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<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%	100.00%
System's Covered-Employee payroll	\$ 70,506	\$ 73,309	\$ 72,185	\$ 79,230	\$ 75,595	\$ 88,423	\$ 88,000
Contributions as a percentage of its covered employee payroll	18.89%	12.80%	10.56%	12.63%	14.73%	15.92%	19.30%

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 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>	<u>2020</u>
Nonhazardous				
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122	\$ 1,681,954,950	\$ 2,414,695,884
Employer's Proportion (Percentage) of Net OPEB Liability	0.15129%	0.14658%	0.16962%	0.16722%
Employers Proportion (Amount) of Net OPEB Liability	\$ 3,041,467	\$ 2,602,570	\$ 2,852,999	\$ 4,037,854
Employer's Covered-Employer payroll	\$ 3,750,644	\$ 4,429,366	\$ 4,404,445	\$ 4,310,286
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	81.09%	58.76%	64.78%	93.68%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%	60.4%	51.67%
Hazardous				
Total Net OPEB Liability	\$ 826,671,577	\$ 712,959,449	\$ 739,859,800	\$ 924,105,555
Employer's Proportion (Percentage) of Net OPEB Liability	0.60017%	0.59522%	0.64369%	0.58777%
Employers Proportion (Amount) of Net OPEB Liability	\$ 4,961,451	\$ 4,243,699	\$ 4,762,418	\$ 5,431,606
Employer's Covered-Employer payroll	\$ 3,397,080	\$ 3,760,552	\$ 3,518,209	\$ 3,542,186
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	146.05%	112.85%	135.36%	153.34%
Total Plan's Fiduciary Net Position	\$ 1,189,001,387	\$ 1,280,982,000	\$ 1,340,714,000	\$ 1,321,117
Total Plan OPEB Liability	\$ 2,015,672,964	\$ 1,993,941,000	\$ 2,080,574,000	\$ 2,245,222
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	59.0%	64.2%	64.4%	58.84%

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:

Nonhazardous

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122	\$ 1,681,954,950	\$ 2,414,695,884
Employer's Proportion (Percentage) of Net OPEB Liability	0.00324%	0.00310%	0.00344%	0.00344%
Employers Proportion (Amount) of Net OPEB Liability	\$ 65,135	\$ 55,093	\$ 57,842	\$ 82,945
Employer's Covered-Employer payroll	\$ 79,230	\$ 75,595	\$ 88,423	\$ 88,000
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	82.21%	72.88%	65.42%	94.26%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%	60.4%	51.67%

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 OPEB Contributions
County Employees Retirement System of Kentucky Retirement Systems-
For The Year Ended June 30,

CERS:					
Nonhazardous		2017	2018	2019	2020
Statutorily required contribution for employer	\$	176,280	232,985	209,652	205,170
System's contributions in relation to the statutorily required contribution		(176,280)	(232,985)	(209,652)	(205,170)
Annual contribution deficiency (excess)	\$	-	-	-	-
System's contributions as a percentage of statutorily required contribution		100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$	3,750,644	4,429,366	4,404,445	4,310,286
Contributions as a percentage of its covered employee payroll		4.70%	5.26%	4.76%	4.76%
Hazardous					
Statutorily required contribution for employer	\$	317,627	393,730	334,933	337,216
System's contributions in relation to the statutorily required contribution		(317,627)	(393,730)	(334,933)	(337,216)
Annual contribution deficiency (excess)	\$	-	-	-	-
System's contributions as a percentage of statutorily required contribution		100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$	3,397,080	3,760,552	3,518,209	3,542,186
Contributions as a percentage of its covered employee payroll		9.35%	10.47%	9.52%	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	2017	2018	2019	2020
Statutorily required contribution for employer	\$ 4,452	\$ 4,272	\$ 4,564	\$ 4,189
System's contributions in relation to the statutorily required contribution	(4,452)	(4,272)	(4,564)	(4,189)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 75,595	\$ 75,595	\$ 88,423	\$ 88,000
Contributions as a percentage of its covered employee payroll	5.89%	5.65%	5.16%	4.76%

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
For The Year Ended June 30, 2021

Notes to Schedules

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

2020-

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB: The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

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 too 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:

See independent auditor's report.

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2021

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 BALANCE
BUDGET AND ACTUAL -GENERAL FUND
For The Year Ended June 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues				
Property taxes	\$ 2,970,000	\$ 2,970,000	\$ 3,563,504	\$ 593,504
Insurance tax	1,475,000	1,475,000	1,767,801	292,801
Occupational tax	3,300,000	3,300,000	3,975,455	675,455
Franchise taxes	165,000	165,000	187,292	22,292
Occupational business licenses	300,000	300,000	368,435	68,435
Payments in lieu of taxes	65,000	65,000	67,120	2,120
Bank shares	127,000	127,000	151,180	24,180
License and permits	60,000	60,000	71,691	11,691
Fines and fees	30,800	30,800	112,802	82,002
Intergovernmental revenue	22,000	22,000	11,449	(10,551)
Interest	40,000	40,000	58,077	18,077
Miscellaneous income	146,600	146,600	212,323	65,723
Grant funds received	2,725,496	4,556,879	3,016,995	(1,539,884)
Transient room tax	135,000	135,000	-	(135,000)
Total revenues	11,561,896	13,393,279	13,564,124	170,845
Expenditures				
General government	4,328,722	4,344,022	2,139,713	2,204,309
Police department	4,259,605	4,506,219	3,930,806	575,413
Fire department	4,276,405	4,555,080	6,247,268	(1,692,188)
Street department	1,050,124	1,050,124	832,453	217,671
Planning and zoning	609,230	609,230	378,996	230,234
Debt service				
Principal			533,326	(533,326)
Interest			68,158	(68,158)
Total expenditures	14,524,086	15,064,675	14,130,720	933,955
Revenues over (under) expenditures	(2,962,190)	(1,671,396)	(566,596)	1,104,800
Other Financing Sources (Uses)				
Transfer from other funds	1,365,000	1,065,000	1,365,000	300,000
Transfers to other funds	(111,000)	(111,000)	(111,000)	-
Total other financing sources (uses)	1,254,000	954,000	1,254,000	300,000
Net change in fund balance	(1,708,190)	(717,396)	687,404	1,404,800
Fund balance, beginning of year	6,385,175	7,708,627	7,708,627	-
Fund balance, end of year	\$ 4,676,985	\$ 6,991,231	\$ 8,396,031	\$ 1,404,800

SUPPLEMENTARY AND OTHER INFORMATION SECTION

**COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2021

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Assets							
Cash	\$ -	\$ -	\$ 155,908	\$ -	\$ -		\$ 155,908
Accounts receivable		2,804	1,179	-		295,575	299,558
Restricted assets	486,796	152,345	136,574	26,420	11,046		813,181
Total assets	\$ 486,796	\$ 155,149	\$ 293,661	\$ 26,420	\$ 11,046	\$ 295,575	\$ 1,268,647
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 131,144	\$ 3,410	\$ 570	\$ -	\$ -	\$ 18	\$ 135,142
Accrued expenditures			2,790				2,790
Accrued wages			2,970				2,970
Total liabilities	131,144	3,410	6,330	-	-	18	140,902
Fund Balances							
Restricted	355,652	151,739	287,331	26,420	11,046	295,557	1,127,745
Total fund balances	355,652	151,739	287,331	26,420	11,046	295,557	1,127,745
Total liabilities and fund balances	\$ 486,796	\$ 155,149	\$ 293,661	\$ 26,420	\$ 11,046	\$ 295,575	\$ 1,268,647

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2021

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Revenues							
Intergovernmental revenues	\$ 326,921	\$ -	\$ 2,084	\$ 5,016	\$ -	\$ -	\$ 334,021
Interest earned	2,142	995	513	8	27	2,588	6,273
Telephone line charges		187,159					187,159
Transient room tax			228,091				228,091
Alcoholic beverage license fees						1,077,660	1,077,660
Other			62,757	-	731	-	63,488
Total revenues	329,063	188,154	293,445	5,024	758	1,080,248	1,896,692
Expenditures							
Street department	357,526						357,526
E-911		392,429					392,429
Tourism commission			201,331				201,331
Freedom fest			19,877				19,877
Drug programs				18,754			18,754
Alcoholic beverage control						197	197
Debt Service							
Principal			5,274				5,274
Interest			4,326				4,326
Total expenditures	357,526	392,429	230,808	18,754	-	197	999,714
Revenues over (under) expenditures	(28,463)	(204,275)	62,637	(13,730)	758	1,080,051	896,978
Other Financing Sources (Uses)							
Transfer to other funds	(50,000)	111,000				(1,000,000)	(939,000)
Total other financing sources (uses)	(50,000)	111,000	-	-	-	(1,000,000)	(939,000)
Net change in fund balance	(78,463)	(93,275)	62,637	(13,730)	758	80,051	(42,022)
Fund balance, beginning of year	434,115	245,014	224,694	40,150	10,288	215,506	1,169,767
Fund balance, end of year	<u>\$ 355,652</u>	<u>\$ 151,739</u>	<u>\$ 287,331</u>	<u>\$ 26,420</u>	<u>\$ 11,046</u>	<u>\$ 295,557</u>	<u>\$ 1,127,745</u>

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2021

	Central Garage	Medical Insurance Fund	Totals
Assets			
Current Assets			
Accounts receivable	\$ 27,444	\$ -	\$ 27,444
Materials and supplies, at average cost	54,866		54,866
Total current assets	<u>82,310</u>	<u>-</u>	<u>82,310</u>
Noncurrent Assets			
Buildings	225,000		225,000
Machinery and equipment	246,815		246,815
Accumulated depreciation	(391,602)		(391,602)
Restricted assets	-	777,617	777,617
Total noncurrent assets	<u>80,213</u>	<u>777,617</u>	<u>857,830</u>
Total assets	<u>162,523</u>	<u>777,617</u>	<u>940,140</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	88,769		88,769
Deferred outflows related to OPEB	69,499		69,499
Total deferred outflows	<u>158,268</u>	<u>-</u>	<u>158,268</u>
Liabilities			
Current liabilities			
Accounts payable	17,838	102,901	120,739
Accrued salaries	35,986		35,986
Due to other funds	185,348		185,348
Accrued claims incurred but not reported		135,440	135,440
Total current liabilities	<u>239,172</u>	<u>238,341</u>	<u>477,513</u>
Long-term Liabilities			
Net pension liability	411,821		411,821
Net OPEB liability	129,615		129,615
Total noncurrent liabilities	<u>541,436</u>	<u>-</u>	<u>541,436</u>
Total liabilities	<u>780,608</u>	<u>238,341</u>	<u>1,018,949</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	11,117		11,117
Deferred inflows related to OPEB	27,480		27,480
Total deferred inflows	<u>38,597</u>	<u>-</u>	<u>38,597</u>
Net Position			
Investment in capital assets	80,213		80,213
Restricted		777,617	777,617
Unrestricted	(578,627)	(238,341)	(816,968)
Total net position	<u>\$ (498,414)</u>	<u>\$ 539,276</u>	<u>\$ 40,862</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2021**

	Central Garage	Medical Insurance Fund	Totals
Operating Revenues			
Charges for interfund services	\$ 576,102		\$ 576,102
Contributions to fund		1,792,740	1,792,740
Total operating revenues	<u>576,102</u>	<u>1,792,740</u>	<u>2,368,842</u>
Operating Expenses			
Depreciation	19,996		19,996
Parts rebilled	123,066		123,066
Petroleum products	174,169		174,169
Other garage expenses	345,546		345,546
Claims paid		774,516	774,516
Administrative costs		485,067	485,067
Wellness incentives		-	-
Total operating expenses	<u>662,777</u>	<u>1,259,583</u>	<u>1,922,360</u>
Operating income (loss)	(86,675)	533,157	446,482
Non-Operating Revenues (Expenses)			
Interest and dividend income		282	282
Change in net position	<u>(86,675)</u>	<u>533,439</u>	<u>446,764</u>
Net position-beginning of year	(411,739)	5,837	(405,902)
Net position-end of year	<u>\$ (498,414)</u>	<u>\$ 539,276</u>	<u>\$ 40,862</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2021

	Central Garage	Medical Insurance Fund	Totals
Cash Flows From Operating Activities			
Cash paid to suppliers	\$ (342,772)	-	\$ (342,772)
Cash paid for employees	(231,273)	-	(231,273)
Cash received for premiums		1,792,740	1,792,740
Cash paid for claims		(869,348)	(869,348)
Cash paid for administrative expenses		(485,067)	(485,067)
Cash received from interfund services provided	574,045		574,045
Net cash provided (used) by operating activities	<u>-</u>	<u>438,325</u>	<u>438,325</u>
Cash Flow From Investing Activities			
Interest and dividends		282	282
Net cash provided by investing activities	<u>-</u>	<u>282</u>	<u>282</u>
Net increase (decrease) in cash and cash equivalents	-	438,607	438,607
Cash and cash equivalents-beginning		339,010	339,010
Cash and cash equivalents-ending	<u>\$ -</u>	<u>\$ 777,617</u>	<u>\$ 777,617</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (86,675)	\$ 533,157	\$ 446,482
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	19,996		19,996
Pension/OPEB expense	68,593		68,593
(Increase) Decrease in operating assets:			
Accounts receivable	(2,057)		(2,057)
Due from other funds	62		62
Material and supplies	(12,709)		(12,709)
Increase (Decrease) in operating liabilities:			
Accounts payable	(1,525)		(1,525)
Accrued expenses	952	(94,832)	(93,880)
Due to other funds	13,363		13,363
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 438,325</u>	<u>\$ 438,325</u>

CITY OF MURRAY, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Provided to Subrecipient	Total Federal Expenditures
U.S. Department of Transportation			
<i>Passed-Through Kentucky Transportation Cabinet:</i>			
Highway Planning and Construction	20.205	\$ -	\$ 213,703
Total U.S. Department of Transportation			\$ 213,703
<u>U. S. Department of Justice</u>			
<i>Passed-Through Kentucky Justice and Public Safety Cabinet:</i>			
Coronavirus Emergency Supplemental Funding	16.034	-	4,224
Total U.S. Department of Justice			\$ 4,224
U.S. Department of Treasury			
<i>Passed-Through Kentucky Department of Local Government:</i>			
COVID-19 Coronavirus Relief Fund for States	21.019	- **	1,826,381
Total U.S. Department of Treasury			\$ 1,826,381
U.S. Department of Housing and Urban Development			
<i>Passed-Through Kentucky Department For Local Government:</i>			
Community Development Block Grant	14.228	-	212,000
Total U.S. Department of Housing and Urban Development			\$ 212,000
Total Expenditures of Federal Awards		\$ -	\$ 2,256,308

** Major Program

CITY OF MURRAY, KENTUCKY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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, 2021. 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.

NOTE 4 – AMOUNTS PASSED THROUGH TO SUBRECEIPIENTS COLUMUN

The column on the accompanying schedule captioned “Amounts Passed Through to Subrecipients “represents the amounts transferred by the City of Murray to subrecipients. During the fiscal year the City of Murray did not pass any federal funds to subrecipients.

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, 2021, 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 24, 2022.

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 & TOWERY

Certified Public Accountants
Mayfield, Kentucky
January 24, 2022

**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, 2021. 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, 2021.

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 24, 2022

CITY OF MURRAY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2021

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
21.019	Covid 19 - Conronavirus Relief Fund For States

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

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

CITY OF MURRAY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
June 30, 2021

Section II- Financial Statement Findings

No Matters were reported

Se 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