

**CITY OF ALEXANDRIA, KENTUCKY**

**June 30, 2019**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



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**CITY OF ALEXANDRIA, KENTUCKY  
CITY OFFICIALS**

**MAYOR**

Andrew Schabell

**COUNCIL MEMBERS**

Stacey Graus

Tom Baldrige

Susan Vanlandingham

Kyle Sparks

Robert Simon

Sue Neltner

**DEPARTMENT HEADS**

City Clerk

Jan Johannemann

City Treasurer

JoAnn Hackworth

City Attorney

Michael A. Duncan

Zoning Administrator

Carol Hofstetter

Public Works Superintendent

Sam Trapp

Chief of Police

Lucas Cooper

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of City Council  
City of Alexandria, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Alexandria, Kentucky (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 and each major fund of the City of Alexandria, Kentucky as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended June 30, 2018 have been restated for the correction of material misstatements. Our opinion is not modified with respect to those matters

### **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 1–9, budgetary comparison information on pages 39–42, the City's pension schedules on pages 43 and 44, and the OPEB schedules on pages 45 and 46 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 17, 2019, on our consideration of the City of Alexandria, Kentucky 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 the effectiveness of the City of Alexandria, Kentucky's the 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 Alexandria, Kentucky's internal control over financial reporting and compliance.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
October 17, 2019

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED**

Our discussion and analysis of the City of Alexandria, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's basic financial statements that begin on page 10.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 10 and 11) provide information about the activities of the City as a whole, and present a fair view of the City's finances. Fund financial statements start on page 12. For government activities, these statements tell 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.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2019 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,402,839 (net position).
- The City's total net position decreased by \$242,717.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$3,204,563, an increase of \$412,145. \$2,847,314 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,847,314 or 58.3% of the total general fund expenditures.
- The City's total debt increased by \$10,078 (1.2%), including compensated absences but excluding net pension liability and net other postemployment benefit liability, during the current year.
- The City's cash and cash equivalents increased by \$347,085, from \$2,263,220 at June 30, 2018 to \$2,610,305 at June 30, 2019.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Road Aid Fund, Charlie Battery Fund, and Sewer Fund.

The City adopts an annual budget for each of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12–15 of this report.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16–38 of this report.

**Government-Wide Financial Analysis**

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018:

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018 (As Restated)</b>
<b>Assets</b>		
Current and Other Assets	\$ 3,569,306	\$ 3,151,073
Noncurrent Assets, Net	5,503,505	5,416,948
Total Assets	<u>9,072,811</u>	<u>8,568,021</u>
<b>Deferred Outflows of Resources</b>	<u>2,306,672</u>	<u>2,676,767</u>
<b>Liabilities</b>		
Current and Other Liabilities	396,626	401,916
Noncurrent Liabilities	7,880,934	7,615,818
Total Liabilities	<u>8,277,560</u>	<u>8,017,734</u>
<b>Deferred Inflows of Resources</b>	<u>699,084</u>	<u>581,498</u>
<b>Net Position</b>		
Invested in Capital Assets Net of Related Debt	4,839,083	4,779,583
Restricted for		
Municipal Road Aid	76,579	156,072
Charlie Battery	4,079	4,069
Sewer Fund	390,464	418,397
Unrestricted	<u>(2,907,366)</u>	<u>(2,712,565)</u>
<b>Total Net Position</b>	<b><u>\$ 2,402,839</u></b>	<b><u>\$ 2,645,556</u></b>

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$2.4 million as of June 30, 2019.

The largest portion of the City's net position (approximately \$4.8 million) reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, vehicles, equipment, and furniture and fixtures); less any related debt used to acquire those assets that are still outstanding. These assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately \$471,000) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for road aid purposes, supporting the Charlie Battery Company, and sewer assessment debt payments.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following points explain the major changes impacting net position as shown on the previous page:

- Cash and cash equivalents increased \$347,085 from the previous year primarily due to receipts that exceeded disbursements.
- Capital assets increased \$108,764 as a result of the City purchasing new radios under a capital lease for \$158,206.
- Deferred outflows of resources decreased by \$370,095. Deferred outflows related to pension decreased by \$271,875 due to a decrease in the changes in assumptions.
- Capital lease liability increased by \$118,206 due to obtaining a capital lease for new radios as noted above. Additionally, the City paid \$40,000 against the outstanding balance.
- Net pension liability increased \$532,247 as a result of an increase in the overall net pension liability of the Kentucky Retirement Systems' non-hazardous and hazardous systems. Additionally, the City had an increase in their proportionate share percentage in the current year.
- Deferred inflows of resources increased by \$117,576. Deferred inflows related to OPEB increased by \$221,993 largely due to an increase in the difference between expected and actual experience of \$181,084.
- The City has \$2,907,366 of unrestricted net deficit as of June 30, 2019.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net position for fiscal years 2019 and 2018.

**Table 2  
Change in Net Position**

	<b>Governmental Activities Years Ended June 30,</b>	
	<b>2019</b>	<b>2018 (As Restated)</b>
<b>Revenues</b>		
General Revenues		
Taxes	\$ 4,414,012	\$ 4,333,729
Licenses and Permits	28,816	30,691
Fines and Forfeitures	14,630	12,379
Earnings on Investments	10,003	4,306
(Loss) Gain on Sale of Capital Assets	(5,680)	4,940
Miscellaneous	61,233	36,639
	<u>4,523,014</u>	<u>4,422,684</u>
Program Revenues		
Charges for Service	636,834	606,978
Operating Grants and Contributions	155,924	76,457
Capital Grants and Contributions	-	25,248
	<u>792,758</u>	<u>708,683</u>
Total Program Revenues	<u>792,758</u>	<u>708,683</u>
Total Revenues	<u>5,315,772</u>	<u>5,131,367</u>
<b>Program Expenses</b>		
General Government	807,143	831,497
Police	1,806,450	1,706,819
Public Works	713,012	709,880
Waste Collection	575,648	541,937
Planning and Inspection	75,528	67,216
Park and Recreation	25,004	8,677
Miscellaneous	(823)	690
Interest on Long-Term Debt	5,432	6,203
Pension Expense	1,045,698	860,889
Other Postemployment Benefit Expense	266,249	269,493
Depreciation	239,148	241,572
	<u>5,558,489</u>	<u>5,244,873</u>
Total Program Expenses	<u>5,558,489</u>	<u>5,244,873</u>
Decrease in Net Position	<u>\$ (242,717)</u>	<u>\$ (113,506)</u>

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**Governmental Activities**

Governmental activities decreased the City's net position by \$242,717. Key elements of this decrease are as follows:

- The City received approximately \$81,000 for the development of the Northern Kentucky Pre-Arrest Diversion Expansion and Sustainability Project.
- Police expenses increased \$99,631 due to hiring a new social worker as well as increases in salaries and wages.
- The City recognized an increase in pension expense of \$184,809 as a result of an increase in the overall net pension liability for Kentucky Retirement Systems' non-hazardous and hazardous systems. Additionally, the City had an increase in their proportionate share percentage in the current year.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,204,563, an increase of \$412,145, in comparison to the prior year. This total consists of: General Fund, \$2,973,847; Municipal Road Aid Fund, \$76,579; Charlie Battery Fund, \$4,079; and Sewer Fund, \$150,058.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was, \$2,847,314. The total fund balance increased by \$490,168. This increase was the result of tax revenue exceeding budgeted revenues while overall expenses were lower than budgeted.

The Municipal Road Aid Fund fund balance decreased by \$79,493. This decrease was the result of an increase in road projects during the year.

The Charlie Battery Fund fund balance increased \$10 from donations.

The Sewer Fund fund balance increased \$1,460 as a result of interest earned on assessments due.

**General Fund Budgeting Highlights**

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning fund balance for the fiscal year was approximately \$2.5 million.

For the general fund, budgeted revenues were budgeted at \$5.0 million. Actual revenues were approximately \$5.2 million. Actual revenues exceeded budgeted revenues largely due to an increase in gross receipts tax and receiving the PAD Angel grant that was not budgeted for.

Expenditures were budgeted at approximately \$5.2 million, while actual expenditures were approximately \$4.8 million. Actual expenditures were less than budgeted largely due to over-budgeting for health insurance and public works infrastructure.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2019, the City had approximately \$5.3 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2019 balances compared to fiscal year 2018.

**Table 3  
Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 1,239,000	\$ 1,239,000
Construction in Progress	55,637	55,637
Asset Not Yet in Service	158,206	-
Buildings	363,928	379,741
Improvements	214,417	205,521
Infrastructure	2,851,686	2,953,928
Vehicles	335,363	283,275
Equipment	68,996	64,230
Furniture and Fixtures	5,630	2,767
	\$ 5,292,863	\$ 5,184,099

Major capital asset events during the current fiscal year included the following:

- Obtained a capital lease for the purchase of new radio communications system in the amount of \$158,206.
- Purchase three new police vehicles as well as a public works truck with spreader and plow.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**Long-Term Debt**

At June 30, 2019, the City had approximately \$879,000 in outstanding long-term debt.

The following is a summary of the City's long-term debt transactions during 2019.

	June 30, 2018	Additions	Repayments	June 30, 2019
Compensated Absences	\$ 464,398	\$ -	\$ 39,186	\$ 425,212
Capital Lease Liability	-	158,206	40,000	118,206
Notes Payable	404,516	-	68,942	335,574
	<u>\$ 868,914</u>	<u>\$ 158,206</u>	<u>\$ 148,128</u>	<u>\$ 878,992</u>

The City's long-term debt increased \$10,078 during the fiscal year. \$158,206 of the increase was the result of issuing a new capital lease for the purchase of the new radio communications system. This increase was offset by \$40,000 in capital lease payments and \$68,942 in note payable payments. Additionally, compensated absences decreased by \$39,186 due to payouts to retired employees during the year.

**Economic Factors in Next Year's Budget**

The City remains in a solid financial position and is experiencing a positive turn in economic conditions for Alexandria.

Due to the economic improvements over the last couple of years, the number of foreclosures and bankruptcies have remained steady. The current tax delinquencies are less than .007% and the City's total revenue has improved slightly due to current growth.

For the 2019 fiscal year, the property tax rate remains at .174% per \$100 of valuation. With some change in assessment values and the growth in new development, the City anticipates a slight increase in tax revenue. The City will continue to monitor the budget and follow safe planning and management for the 2019-20 fiscal year. The City works very hard to keep the property tax rate as low as possible, but with City growth, operating expenses will grow as well. In order to increase revenue for operating expenses, two years ago the City enacted a Gross Receipts Tax on businesses operating in the city limits. By doing this, the burden has been kept off homeowners by not increasing property taxes.

As the City manages the budget for the upcoming year, there is the realization that some items will increase in cost. The City has only two options: either increase revenues or reduce expenditures in some areas to the degree sufficient to cover necessary expenditures. Due to efforts to contain expenses over the past several years, it appears highly unlikely the City will be able to continue to find areas to offset all expenditure increases. The City revisited revenue options, and revised the Gross Receipts rate to 0.075% and put a maximum cap of \$25,000 effective January 1, 2018. As the City grows in population, it will need to constantly keep expenses controlled in order to be responsible to citizens' needs and wants.

As in previous years, the regular maintenance, upkeep and reconstruction of various city streets and sidewalks will continue to be a major focus of our budget. In fiscal year 2018-19, the City spent approximately \$250,000 on city street and sidewalk programs and in excess of \$44,000 at the Alexandria Community Park maintaining its beauty and functionality.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

The City continues to be poised for growth as the economy improves and the population continues to increase. The Arcadia Development currently has approximately 517 living units, which is about 50% of the development completion, and the second entrance on Tollgate Road is slated to be opened early Fall, 2019. Additionally, the Eagle Ridge development on Poplar Ridge is approximately 98% completed and the Baptist Life Community (The Seasons @ Alexandria) is open and currently operating at capacity. A new development on Poplar Ridge, Timber Creek, is in the improvement stage and slated for approximately 158 living units.

The City is the first to create the full-time position of Police Social Worker in the Police Department to increase services for citizens. Its success is evident as it has become the model that other cities throughout the state emulate as they create their own Police Social Worker Program. The Alexandria Police Department added a second full-time Social Worker position to the staff in 2018-19. The new radio communications system that will link the Police Department with all other police, fire, public works, etc. in Northern Kentucky has been ordered and should be put in place in Fall 2019.

The City will continue to see growth and are committed to managing that growth to best suit the Community, and as the logo states, "Where the City meets the Country".

**Contacting the City for Financial Management Information**

This financial report is designed to provide the citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Treasurer, JoAnn Hackworth, at the City of Alexandria, 8236 W. Main Street, Alexandria, Kentucky, 41001.

**CITY OF ALEXANDRIA, KENTUCKY  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<b>Governmental Activities</b>
<b>Assets and Deferred Outflows of Resources</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 2,610,305
Accounts Receivable	
Property Taxes	34,465
Insurance Taxes	362,418
Payroll and Occupational Taxes	471,210
Other Receivables - Current Portion	66,433
Prepaid Expenses	24,475
Total Current Assets	3,569,306
<b>Noncurrent Assets</b>	
Other Receivables	210,642
Capital Assets	
Land	1,239,000
Construction in Progress	55,637
Asset Not Yet In Service	158,206
Depreciable Capital Assets	6,843,224
Less Accumulated Depreciation	(3,003,204)
Total Capital Assets	5,292,863
Total Noncurrent Assets	5,503,505
Total Assets	9,072,811
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	1,685,858
Deferred Outflows Related to Other Postemployment Benefits	620,814
Total Deferred Outflows of Resources	2,306,672
Total Assets and Deferred Outflows of Resources	11,379,483
<b>Liabilities and Deferred Inflows of Resources</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	103,925
Accrued Payroll and Withholdings	69,492
Compensated Absences	100,272
Capital Lease Liability	52,735
Notes Payable	70,202
Total Current Liabilities	396,626
<b>Noncurrent Liabilities (Less Current Portion)</b>	
Compensated Absences	324,940
Capital Lease Liability	65,471
Notes Payable	265,372
Net Pension Liability	5,583,877
Net Other Postemployment Benefit Liability	1,641,274
Total Noncurrent Liabilities	7,880,934
Total Liabilities	8,277,560
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pension	363,841
Deferred Inflows Related to Other Postemployment Benefits	335,243
Total Deferred Inflows of Resources	699,084
Total Liabilities and Deferred Inflows of Resources	8,976,644
<b>Net Position</b>	
Net Investment in Capital Assets	4,839,083
Restricted for	
Municipal Road Aid	76,579
Charlie Battery	4,079
Sewer Fund	390,464
Unrestricted	(2,907,366)
<b>Total Net Position</b>	<b>\$ 2,402,839</b>

See accompanying notes.

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Total Governmental Activities</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General Government	\$ 807,143	\$ 21,858	\$ 83,415	\$ -	\$ (701,870)
Police	1,806,450	1,450	72,509	-	(1,732,491)
Public Works	713,012	-	-	-	(713,012)
Waste Collection	575,648	575,300	-	-	(348)
Planning and Inspection	75,528	35,340	-	-	(40,188)
Park and Recreation	25,004	2,886	-	-	(22,118)
Miscellaneous	(823)	-	-	-	823
Interest on Long-Term Debt	5,432	-	-	-	(5,432)
Pension Expense	1,045,698	-	-	-	(1,045,698)
Other Postemployment Benefit Expense	266,249	-	-	-	(266,249)
Depreciation	239,148	-	-	-	(239,148)
<b>Total Primary Government</b>	<b>\$ 5,558,489</b>	<b>\$ 636,834</b>	<b>\$ 155,924</b>	<b>\$ -</b>	<b>(4,765,731)</b>
<b>General Revenues</b>					
Taxes					4,414,012
Licenses and Permits					28,816
Fines and Forfeitures					14,630
Earnings on Investments					10,003
Loss on Sale of Capital Assets					(5,680)
Miscellaneous					61,233
Total General Revenues					<u>4,523,014</u>
Change in Net Position					(242,717)
<b>Net Position July 1, 2018 (As Restated)</b>					<u>2,645,556</u>
<b>Net Position June 30, 2019</b>					<u>\$ 2,402,839</u>

See accompanying notes.

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

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Charlie Battery Fund</u>	<u>Sewer Fund</u>	<u>Total Govern- mental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 2,399,456	\$ 56,712	\$ 4,079	\$ 150,058	\$ 2,610,305
Accounts Receivable					
Property Taxes	34,465	-	-	-	34,465
Insurance Taxes	362,418	-	-	-	362,418
Payroll and Occupational Taxes	471,210	-	-	-	471,210
Other Receivables	16,802	19,867	-	240,406	277,075
Prepaid Expenses	24,475	-	-	-	24,475
<b>Total Assets</b>	<u>\$ 3,308,826</u>	<u>\$ 76,579</u>	<u>\$ 4,079</u>	<u>\$ 390,464</u>	<u>\$ 3,779,948</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 103,925	\$ -	\$ -	\$ -	\$ 103,925
Other Accrued Expenses	69,492	-	-	-	69,492
<b>Total Liabilities</b>	<u>173,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,417</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Taxes	161,562	-	-	-	161,562
Unavailable Revenue - Sewer Assessments	-	-	-	240,406	240,406
<b>Total Deferred Inflows of Resources</b>	<u>161,562</u>	<u>-</u>	<u>-</u>	<u>240,406</u>	<u>401,968</u>
<b>Fund Balances</b>					
Non-Spendable					
Prepaid Expenses	24,475	-	-	-	24,475
Restricted for					
Municipal Road Aid					
Fund Balance	-	76,579	-	-	76,579
Sewer Fund Balance	-	-	-	150,058	150,058
Police Forfeiture Cash	1,781	-	-	-	1,781
Committed for					
Charley Battery Fund Balance					
Planning and Zoning Cash	-	-	4,079	-	4,079
Planning and Zoning Cash	12,131	-	-	-	12,131
Assigned					
Insurance Fund Cash	88,146	-	-	-	88,146
Unassigned	2,847,314	-	-	-	2,847,314
<b>Total Fund Balances</b>	<u>2,973,847</u>	<u>76,579</u>	<u>4,079</u>	<u>150,058</u>	<u>3,204,563</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 3,308,826</u>	<u>\$ 76,579</u>	<u>\$ 4,079</u>	<u>\$ 390,464</u>	<u>\$ 3,779,948</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

**Total Fund Balance - Governmental Funds** \$ 3,204,563

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 8,296,067	
Accumulated Depreciation	<u>(3,003,204)</u>	5,292,863

Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		401,968
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Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(425,212)
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Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pension	1,685,858	
Deferred Outflows of Resources Related to Other Postemployment Benefits	620,814	
Deferred Inflows of Resources Related to Pension	(363,841)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>(335,243)</u>	1,607,588

Long-term liabilities, including capital lease liabilities, notes payable, net pension obligations, and net other postemployment benefit obligations are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.

Capital Lease Liability		(118,206)
Notes Payable		(335,574)
Net Pension Liability		(5,583,877)
Net Other Postemployment Benefit Liability		<u>(1,641,274)</u>

<b>Net Assets of Governmental Activities in the Statement of Net Position</b>		<b>\$ <u>2,402,839</u></b>
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See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Charlie Battery Fund</u>	<u>Sewer Fund</u>	<u>Total Govern- mental Funds</u>
<b>Revenues</b>					
Taxes	\$ 4,281,809	\$ -	\$ -	\$ -	\$ 4,281,809
Licenses and Permits	28,816	-	-	-	28,816
Fines and Forfeitures	14,630	-	-	-	14,630
Other Revenue	62,948	-	10	-	62,958
Earnings on Investments	4,904	-	-	5,099	10,003
Intergovernmental Revenue	189,312	179,047	-	-	368,359
Charges for Services	635,834	-	-	30,786	666,620
<b>Total Revenues</b>	<u>5,218,253</u>	<u>179,047</u>	<u>10</u>	<u>35,885</u>	<u>5,433,195</u>
<b>Expenditures</b>					
Current					
General Government	870,296	-	-	-	870,296
Police	2,212,450	-	-	-	2,212,450
Public Works	678,650	258,540	-	-	937,190
Waste Collection	575,648	-	-	-	575,648
Planning and Inspection	81,267	-	-	-	81,267
Park and Recreation	25,004	-	-	-	25,004
Miscellaneous	-	-	-	570	570
Debt Service					
Principal	77,949	-	-	30,993	108,942
Interest	2,570	-	-	2,862	5,432
Capital Outlay	362,457	-	-	-	362,457
<b>Total Expenditures</b>	<u>4,886,291</u>	<u>258,540</u>	<u>-</u>	<u>34,425</u>	<u>5,179,256</u>
Excess (Deficit) of Revenues Over Expenditures	331,962	(79,493)	10	1,460	253,939
<b>Other Financing Source</b>					
Proceeds From Capital Lease	158,206	-	-	-	158,206
Change in Fund Balance	490,168	(79,493)	10	1,460	412,145
<b>Fund Balance July 1, 2018 (As Restated)</b>	<u>2,483,679</u>	<u>156,072</u>	<u>4,069</u>	<u>148,598</u>	<u>2,792,418</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 2,973,847</u>	<u>\$ 76,579</u>	<u>\$ 4,079</u>	<u>\$ 150,058</u>	<u>\$ 3,204,563</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**Change in Fund Balances - Total Governmental Funds** **\$ 412,145**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation.

Depreciation Expense	\$ (239,148)	
Capital Outlays	<u>362,457</u>	123,309

The net effect of various transactions involving capital assets is to decrease net position as follows:

Proceeds From Sale of Capital Assets	(8,865)	
Loss on Sale of Capital Assets	<u>(5,680)</u>	(14,545)

Compensated absences not expected to be paid within the next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net change in compensated absences for the year. 39,186

Governmental funds report City other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which postemployment benefit expense exceeded contributions.

City Other Postemployment Benefit Contributions - June 30, 2018	(116,756)	
City Other Postemployment Benefit Contributions - June 30, 2019	134,844	
Change in Other Postemployment Benefit Liability	<u>(149,493)</u>	(131,405)

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

City Pension Contributions - June 30, 2018	(298,475)	
City Pension Contributions - June 30, 2019	345,994	
Cost of Benefits Earned Net of Employee Contributions	<u>(747,224)</u>	(699,705)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities, comprised of the following:

Issuance of Capital Lease Liability	(158,206)	
Principal Repayment for Capital Lease Liability	40,000	
Principal Repayment for Notes Payable	<u>68,942</u>	(49,264)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 77,562

**Change in Net Position - Governmental Activities** **\$ (242,717)**

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Alexandria, Kentucky (the City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General Fund, the Municipal Road Aid Fund, the Charlie Battery Fund, and the Sewer Fund.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Alexandria, Kentucky.

The City of Alexandria, Kentucky is a charter city, in which citizens elect the mayor at large and six council members. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

**Basis of Presentation and Measurement Focus**

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide financial statements are prepared using the economic resources measurement focus. 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. Governmental fund financial statements; therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function, or program, of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and are; therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position. Fiduciary funds are reported using the economic resources measurement focus.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City has the following funds:

Governmental Fund Types

- A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These are major funds of the City. The City has two special revenue funds; Municipal Road Aid Fund and Charlie Battery Fund.
- C) The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. This is a major fund of the City. The City has one debt service fund; Sewer Fund.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues—Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Cash and Cash Equivalents**

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Accounts Receivable**

Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance determined necessary as of June 30, 2019.

**Capital Assets**

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Governmental Activities Estimated Lives
Buildings	40 Years
Building Improvements	20 Years
Public Domain Infrastructure	25 Years
Vehicles	7 Years
Machinery and Equipment	5 Years
Furniture and Fixtures	5 Years

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. The District recognizes deferred inflows of resources related to pensions and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current period. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for unpaid accumulated sick and vacation leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements, only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Net Position**

The government-wide financial statement utilize a net position presentation. Net position is displayed as three components:

- Net Investment in Capital Assets – Represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of capital leases, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints place on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – Represents the net position available for future operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – Amounts that cannot be spent, either because they are in a non-spendable form, or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance, or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose, but are not spendable until a budget ordinance is passed, or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

**Property Taxes**

Property taxes include amounts levied on real property. Property values were assessed on January 1<sup>st</sup> and property taxes were due on October 31<sup>st</sup>.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A) In accordance with City ordinance, by May 31, the Mayor submits to the City Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B) A public meeting is conducted to obtain citizen comments.
- C) By July 1, the budget is legally enacted through passage of an ordinance.
- D) The Mayor is required, by Kentucky Revised Statutes, to present a quarterly report to the Council explaining any variance from the approved budget.
- E) Appropriations continue in effect until a new budget is adopted.
- F) The Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end.

The general fund had excess capital outlay expenditures over budget of \$80,457 and excess principal expenditures over budget of \$39,049. Both of these were due to the issuance of a capital lease in the amount of \$158,206, which was not included in the budget.

The municipal road aid fund had public works expenditures over budget of \$18,540.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City, and conforming to all state statutes and City regulations governing the investments of public funds.

The City is authorized to invest in:

- A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- B) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, or a United States government agency.
- C) Obligations of any corporation of the United States government.
- D) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

**Deposits**

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2019, \$250,000 of the City's deposits were covered by FDIC insurance and the remaining balance was collateralized with securities held by the financial institutions on the City's behalf.

**NOTE 4 - CAPITAL ASSETS**

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

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Depreciated				
Land	\$ 1,239,000	\$ -	\$ -	\$ 1,239,000
Construction in Progress	55,637	-	-	55,637
Asset Not Yet in Service	-	158,206	-	158,206
Total Capital Assets Not Being Depreciated	<u>1,294,637</u>	<u>158,206</u>	<u>-</u>	<u>1,452,843</u>
Depreciable Capital Assets				
Buildings	632,530	-	-	632,530
Improvements	386,092	40,611	(22,693)	404,010
Infrastructure	3,910,780	-	-	3,910,780
Vehicles	874,232	130,564	(27,359)	977,437
Equipment	842,147	33,076	(5,250)	869,973
Furniture and Fixtures	48,494	-	-	48,494
Total Depreciable Capital Assets	<u>6,694,275</u>	<u>204,251</u>	<u>(55,302)</u>	<u>6,843,224</u>
Total Capital Assets at Historical Cost	<u>7,988,912</u>	<u>362,457</u>	<u>(55,302)</u>	<u>8,296,067</u>
Less Accumulated Depreciation				
Buildings	252,789	15,813	-	268,602
Improvements	180,571	18,005	(8,983)	189,593
Infrastructure	961,325	97,769	-	1,059,094
Vehicles	590,957	77,641	(26,524)	642,074
Equipment	777,917	28,310	(5,250)	800,977
Furniture and Fixtures	41,254	1,610	-	42,864
Total Accumulated Depreciation	<u>2,804,813</u>	<u>239,148</u>	<u>(40,757)</u>	<u>3,003,204</u>
Depreciable Capital Assets, Net	<u>3,889,462</u>	<u>(34,897)</u>	<u>(14,545)</u>	<u>3,840,020</u>
<b>Governmental Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 5,184,099</u>	<u>\$ 123,309</u>	<u>\$ (14,545)</u>	<u>\$ 5,292,863</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE 5 - LONG-TERM DEBT****Capital Lease Liability**

In November, 2018, the City entered into a capital lease agreement for the purchase of police department equipment. The capital lease charges interest at 0.00% and expires in November, 2021. At the conclusion of the capital lease, ownership passes to the City. Depreciation expense for the equipment held under the capital lease was \$-0- for the year ended June 30, 2019.

The following is a summary of the remaining future minimum payments under the capital lease liability and the associated interest expense:

Years Ending June 30,	June 30, 2019
2020	\$ 52,735
2021	52,735
2022	12,736
	<u>118,206</u>
Less Interest Portion	<u>-</u>
Net Capital Lease Liability	118,206
Less Current Portion	<u>52,735</u>
Long-Term Portion	<u>\$ 65,471</u>

The following is a summary of the equipment at cost less accumulated depreciation under the capital lease liability:

	June 30, 2019
Equipment	\$ 158,206
Less Accumulated Depreciation	<u>-</u>
Net Capital Lease Liability Property	<u>\$ 158,206</u>

The equipment is classified as asset not yet in service on the statement of net position as of June 30, 2019.

**Notes Payable***Kentucky League of Cities Note Payable*

In July of 2004, the City entered into a note with the Kentucky League of Cities for the purchase of the city building for \$700,000 at an interest rate of 3.0%, maturing in April, 2021.

The Kentucky League of Cities note is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2020	\$ 38,899	\$ 1,102	\$ 960	\$ 40,961
2021	<u>33,787</u>	<u>317</u>	<u>316</u>	<u>34,420</u>
Total	<u>\$ 72,686</u>	<u>\$ 1,419</u>	<u>\$ 1,276</u>	<u>\$ 75,381</u>

**NOTE 5 - LONG-TERM DEBT (Continued)**Kentucky Infrastructure Authority Loan F05-03

In June, 2007, the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) for the improvement of the sewer lines on Viewpoint Drive. The full amount of allowable funds is \$426,220 at an interest rate of 1.0%, maturing in December, 2026. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years, with payments due on the first of both December and June of each year. The note will be repaid with funds collected from residents of Viewpoint Drive. These funds will be collected by the Sanitation District Number 1 of Northern Kentucky as an additional surcharge on owners' quarterly sewer sanitation bills, and remitted to the City quarterly.

The Kentucky Infrastructure Authority Loan F05-03 is scheduled to mature as follows:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Fees Amount</u>	<u>Total Debt Service</u>
2020	\$ 21,922	\$ 1,644	\$ 329	\$ 23,895
2021	22,142	1,424	285	23,851
2022	22,364	1,202	240	23,806
2023	22,588	978	196	23,762
2024	22,814	752	150	23,716
2025 - 2027	<u>58,041</u>	<u>874</u>	<u>175</u>	<u>59,090</u>
Total	\$ <u>169,871</u>	\$ <u>6,874</u>	\$ <u>1,375</u>	\$ <u>178,120</u>

Kentucky Infrastructure Authority Loan F07-05

In June, 2009, the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) for the improvement of the sewer lines on Douglas James Drive. The full amount of allowable funds is \$186,073 at an interest rate of 1.0%, maturing in December, 2028. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years, with payments due on the first of both December and June of each year. The note will be repaid with funds collected from residents of Douglas James Drive. These funds will be collected by the Sanitation District Number 1 of Northern Kentucky as an additional surcharge on owners' quarterly sewer sanitation bills, and remitted to the City quarterly.

The Kentucky Infrastructure Authority Loan F07-05 is scheduled to mature as follows:

2020	\$ 9,381	\$ 907	\$ 181	\$ 10,469
2021	9,475	813	163	10,451
2022	9,570	718	144	10,432
2023	9,666	622	124	10,412
2024	9,763	525	105	10,393
2025 - 2029	<u>45,162</u>	<u>1,136</u>	<u>227</u>	<u>46,525</u>
Total	\$ <u>93,017</u>	\$ <u>4,721</u>	\$ <u>944</u>	\$ <u>98,682</u>

**NOTE 5 - LONG-TERM DEBT (Continued)**

The total of the City's notes payable is scheduled to mature as follows:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Fees Amount</u>	<u>Total Debt Service</u>
2020	\$ 70,202	\$ 3,653	\$ 1,470	\$ 75,325
2021	65,404	2,554	764	68,722
2022	31,934	1,920	384	34,238
2023	32,254	1,600	320	34,174
2024	32,577	1,277	255	34,109
2025 - 2029	<u>103,203</u>	<u>2,010</u>	<u>402</u>	<u>105,615</u>
Total	\$ <u>335,574</u>	\$ <u>13,014</u>	\$ <u>3,595</u>	\$ <u>352,183</u>

**Long-Term Liabilities**

The following is a summary of the City's long-term liability transactions (excluding the net pension liability and net OPEB liability) for the year ended June 30, 2019.

<u>Governmental Activities</u>	<u>Debt Outstanding June 30, 2018</u>	<u>Additions of New Debt</u>	<u>Retirements and Repayments</u>	<u>Debt Outstanding June 30, 2019</u>	<u>Amounts Due Within 1 Year</u>
Compensated Absences	\$ 464,398	\$ -	\$ 39,186	\$ 425,212	\$ 100,272
Capital Lease Liability	-	158,206	40,000	118,206	52,735
Notes Payable	<u>404,516</u>	<u>-</u>	<u>68,942</u>	<u>335,574</u>	<u>70,202</u>
	\$ <u>868,914</u>	\$ <u>158,206</u>	\$ <u>148,128</u>	\$ <u>878,992</u>	\$ <u>223,209</u>

**Conduit Debt Obligations**

The City has issued an Industrial Building Revenue Bond to provide financial assistance to a private-sector entity for the purchase or addition of property including land and a building. The bond is secured by the property financed and is payable solely from the private-sector entity. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bond. Accordingly, the bond is not reported as a liability in the accompanying financial statements. As of June 30, 2019, the outstanding principal on the Industrial Building Revenue Bond is \$312,447.

**NOTE 6 - PENSION PLAN****General Information About the Pension Plan**

*Plan description:* County Employees Retirement System (CERS) consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

*Benefits provided:* These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

**NOTE 6 - PENSION PLAN (Continued)**

Non-hazardous Plan:

**Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

**Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but Before 01/01/2014**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

**Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None

**Benefit Formula for Tiers 1 & 2**

<u>Final Compensation</u> X	<u>Benefit Factor</u>	X	<u>Years of Service</u>
Average of the five highest if participation began before 09/01/2008.	2.20% if:	Member begins participating prior to 08/01/2004.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
	2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.	
Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014.	Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.	

\* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)**

**Benefit Formula for Tiers 3**

<b>(A-B) = C X 75% = D then B+D = Interest</b>					
<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>Interest Rate Earned (4% + Upside)</u>	<u>Total Interest Credited to Members' Accounts</u>
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned		
7.39%	4.00%	3.39%	2.54%	6.54%	\$ 4,786,000

NOTE 6 - PENSION PLAN (Continued)

Hazardous Plan:

**Tier 1: Retirement Eligibility for Members Whose Participation  
Retirement Eligibility for Members Whose Participation Began Before 09/01/2008**

Age	Years of Service	Allowance Reduction
55	1 month	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.

**Tier 2: Retirement Eligibility for Members Whose Participation  
Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but**

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.

**Tier 3: Retirement Eligibility for Members Whose Participation  
Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014**

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None

**Benefit Formula for Tiers 1 & 2**

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the three highest if participation began before 09/01/2008.		2.50% if:		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
Average of the three highest complete years if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* if:		

\* **Service (and Benefit Factor): 10 years or less (1.30%); 10 - 20 years (1.50%); 20 - 25 years (2.25%); 25 + years (2.50%)**

**Benefit Formula for Tiers 3**

**(A-B) = C X 75% = D then B+D = Interest**

A	B	C	D	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned		
7.66%	4.00%	3.66%	2.75%	6.75%	\$ 1,284,000

**NOTE 6 - PENSION PLAN (Continued)**Non-hazardous and Hazardous Plans:

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the higher of 20% for non-hazardous and 25% for hazardous of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

*Contributions:* The employee contribution rate is set by state statute. For the year ended June 30, 2019 non-hazardous employees contribute 5.00% and hazardous employees contributed 8.00% of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous or 9.00% for hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

**NOTE 6 - PENSION PLAN (Continued)**

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. 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. Members contribute 5.00% non-hazardous or 8.00% hazardous (of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019, participating employers contributed 21.48% (16.22% pension fund and 5.26% insurance fund) for the non-hazardous system of each employee's creditable compensation and 35.34% (24.86% pension fund and 10.48% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension fund from the City were \$345,994 for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$5,583,877 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, the City's proportion for the non-hazardous system was 0.025269% and for the hazardous system was 0.167252%, which was an increase of 0.001340% and 0.004063% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$1,045,698. At June 30, 2019, 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>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 221,489	\$ 285,567
Difference Between Expected and Actual Experience	372,104	22,527
Changes of Assumptions	580,967	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	165,304	55,747
Contributions After Measurement Date	<u>345,994</u>	<u>-</u>
Total	<u>\$ 1,685,858</u>	<u>\$ 363,841</u>

**NOTE 6 - PENSION PLAN (Continued)**

The \$345,994 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2020	\$ 664,074
2021	356,884
2022	(18,409)
2023	<u>(26,526)</u>
Total	<u>\$ 976,023</u>

*Actuarial assumptions:* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, Average, including inflation
Investment Rate of Return	6.25% Net of pension plan investment expense, including inflation

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real 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 6 - PENSION PLAN (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:		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity:		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed:		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	<u>100.00 %</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

*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 using the discount rate of 6.25%, 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%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Non-hazardous	\$ 1,937,390	\$ 1,538,959	\$ 1,205,144
Hazardous	\$ 5,068,017	\$ 4,044,918	\$ 3,199,134

*Changes of assumptions:* There have been no changes in actuarial assumptions since June 30, 2017.

**NOTE 6 - PENSION PLAN (Continued)**

*Pension plan fiduciary net position:* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**401(k) Plan and 457 Plan**

The City also permits employees to participate in a 401(k) or 457 plan sponsored by the Commonwealth of Kentucky.

**NOTE 7 - OPEB PLAN**

**General Information About the OPEB Plan**

*Plan description:* County Employees Retirement System consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

*Benefits provided:* The KRS’ Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee’s spouse receives \$10 per month for insurance benefits for each year of the deceased employee’s earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Portion Paid by Insurance Fund</b>	
<b>Years of Service</b>	<b>Paid by Insurance Fund (%)</b>
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
Less Than 4 Years	0.00%

**NOTE 7 - OPEB PLAN (Continued)**

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

*Contributions:* The employee contribution rate is set by state statute. For the year ended June 30, 2019, non-hazardous employees contribute 5.00% while hazardous duty members contribute 8.00% of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous or 9.00% for hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

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

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. 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. Members contribute 5.00% non-hazardous or 8.00% hazardous (of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019, participating employers contributed 21.48% (16.22% pension fund and 5.26% insurance fund) for the non-hazardous system and 35.34% (24.86% pension fund and 10.48% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the City were \$134,844 for the year ended June 30, 2019.

At June 30, 2019, the City reported a liability of \$1,641,274 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end June 30, 2018, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2019, the City's proportion for the non-hazardous system was 0.025269% and for the hazardous system was 0.167252%, which was an increase of 0.001340% and 0.004063% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2018.

**NOTE 7 - OPEB PLAN (Continued)**

For the year ended June 30, 2019, the City recognized OPEB expense of \$266,249. At June 30, 2019, 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	\$ -	\$ 185,564
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	144,283
Changes of Assumptions	455,588	4,299
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	30,382	1,097
City Contributions Subsequent to the Measurement Date	<u>134,844</u>	<u>-</u>
Total	<u>\$ 620,814</u>	<u>\$ 335,243</u>

\$134,844 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>	
2020	\$ 79,875
2021	79,875
2022	14,047
2023	(20,202)
2024	(886)
Thereafter	<u>(1,982)</u>
Total	<u>\$ 150,727</u>

**NOTE 7 - OPEB PLAN (Continued)**

*Actuarial assumptions:* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of Pay
Amortization Period	27 years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00%, Average
	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real 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 7 - OPEB PLAN (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:				
US Large Cap	5.00	%	4.50	%
US Mid Cap	6.00		4.50	
US Small Cap	6.50		5.50	
Non-US Equity:				
International Developed	12.50		6.50	
Emerging Markets	5.00		7.25	
Global Bonds	4.00		3.00	
Credit Fixed:				
Global IG Credit	2.00		3.75	
High Yield	7.00		5.50	
EMD	5.00		6.00	
Illiquid Private	10.00		8.50	
Private Equity	10.00		6.50	
Real Estate	5.00		9.00	
Absolute Return	10.00		5.00	
Real Return	10.00		7.00	
Cash	2.00		1.50	
Total	100.00	%		

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous and 5.97% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy is not currently being 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 trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate:* The following present's the City's proportionate share of the net OPEB liability, 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 (4.85% for non-hazardous and 4.97% for hazardous) or 1-percentage-point higher (6.85% for non-hazardous and 6.97% for hazardous) than the current rate:

	1% Decrease	Current Discount	1% Increase
Non-hazardous	\$ 582,696	\$ 448,628	\$ 334,427
Hazardous	\$ 1,657,836	\$ 1,192,646	\$ 820,248

**NOTE 7 - OPEB PLAN (Continued)**

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:* The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-hazardous	\$ 334,008	\$ 448,628	\$ 583,732
Hazardous	\$ 812,249	\$ 1,192,646	\$ 1,663,782

*Changes of assumptions:* There have been changes in actuarial assumptions since June 30, 2017.

*Other postemployment benefits plan fiduciary net position:* Detailed information about the other postemployment benefits plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 8 - OPERATING LEASES**

The City leases equipment and a parking lot under operating leases expiring at various times through February, 2027. Expenditures for equipment under operating leases totaled \$29,847 for the year ended June 30, 2019. Future minimum rental payments under these leases are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 18,441
2021	11,583
2022	6,046
2023	4,200
2024	4,200
Thereafter	<u>11,200</u>
Total	<u>\$ 55,670</u>

**NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the general fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

**NOTE 9 - RISK MANAGEMENT (Continued)**

Management estimates that the amount of actual or potential claims against the City as of June 30, 2019 will not materially affect the financial condition of the City. Therefore, the general fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 10 - CLAIMS AND JUDGEMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**NOTE 11 - CONTINGENT LIABILITIES**

The City is, from time to time, a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**NOTE 12 - RESTATEMENT OF ERRORS**

For the year ended June 30, 2018, the City recorded grant revenue that was earned, but not yet available. The revenue was improperly recognized as of June 30, 2018, thus general fund balance was overstated by \$25,248.

For the year ended June 30, 2018, the City recorded a grant receivable that was not yet earned, thus general fund balance and net position was overstated by \$9,752.

The above items had the following effect:

General Fund Balance, June 30, 2018	\$ 2,518,679
Correction of Grant Revenue Not Available	(25,248)
Correction of Grant Receivable Not Earned	<u>(9,752)</u>
Restated General Fund Balance, June 30, 2018	<u>\$ 2,483,679</u>
Net Position, June 30, 2018	\$ 2,655,308
Correction of Grant Receivable Not Earned	<u>(9,752)</u>
Restated Net Position, June 30, 2018	<u>\$ 2,645,556</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALEXANDRIA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,179,020	\$ 4,179,020	\$ 4,281,809	\$ 102,789
Licenses and Permits	29,500	29,500	28,816	(684)
Fines and Forfeitures	18,100	18,100	14,630	(3,470)
Other Revenues	25,000	25,000	62,948	37,948
Earnings on Investments	300	300	4,904	4,604
Intergovernmental Revenue	139,200	139,200	189,312	50,112
Charges for Services	611,150	611,150	635,834	24,684
 Total Revenues	 <u>5,002,270</u>	 <u>5,002,270</u>	 <u>5,218,253</u>	 <u>215,983</u>
<b>Expenditures</b>				
General Government	966,650	966,650	870,296	96,354
Police	2,327,400	2,327,400	2,212,450	114,950
Public Works	935,975	935,975	678,650	257,325
Waste Collection	565,000	575,648	575,648	-
Planning and Inspection	108,925	108,925	81,267	27,658
Park and Recreation	14,220	25,201	25,004	197
Debt Service				
Principal	38,900	38,900	77,949	(39,049)
Interest	3,200	3,200	2,570	630
Capital Outlay	282,000	282,000	362,457	(80,457)
 Total Expenditures	 <u>5,242,270</u>	 <u>5,263,899</u>	 <u>4,886,291</u>	 <u>377,608</u>
 (Deficit) Excess of Revenues Over Expenditures	 <u>(240,000)</u>	 <u>(261,629)</u>	 <u>331,962</u>	 <u>593,591</u>
<b>Other Financing Source</b>				
Transfers In	240,000	-	-	-
Proceeds from Capital Lease	-	-	158,206	158,206
 Total Other Financing Source	 <u>240,000</u>	 <u>-</u>	 <u>158,206</u>	 <u>158,206</u>
 Change in Fund Balance	 -	 (261,629)	 490,168	 751,797
 <b>Fund Balance July 1, 2018 (As Restated)</b>	 <u>2,483,679</u>	 <u>2,483,679</u>	 <u>2,483,679</u>	 <u>-</u>
 <b>Fund Balance June 30, 2019</b>	 <u>\$ 2,483,679</u>	 <u>\$ 2,222,050</u>	 <u>\$ 2,973,847</u>	 <u>\$ 751,797</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (WITH VARIANCES)  
MUNICIPAL ROAD AID FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental Revenue	\$ 169,000	\$ 169,000	\$ 179,047	\$ 10,047
Fund Balance Carry-Forward	<u>71,000</u>	<u>71,000</u>	<u>-</u>	<u>(71,000)</u>
Total Revenues	240,000	240,000	179,047	(60,953)
<b>Expenditures</b>				
Public Works	<u>240,000</u>	<u>240,000</u>	<u>258,540</u>	<u>(18,540)</u>
Change in Fund Balance	-	-	(79,493)	(79,493)
<b>Fund Balance (Not Budgeted For) July 1, 2018</b>	<u>85,072</u>	<u>85,072</u>	<u>156,072</u>	<u>71,000</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 85,072</u>	<u>\$ 85,072</u>	<u>\$ 76,579</u>	<u>\$ (8,493)</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**CHARLIE BATTERY FUND**  
**YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other Revenue	\$ 50	\$ 50	\$ 10	\$ (40)
<b>Fund Balance July 1, 2018</b>	<u>4,069</u>	<u>4,069</u>	<u>4,069</u>	<u>-</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 4,119</u>	<u>\$ 4,119</u>	<u>\$ 4,079</u>	<u>\$ (40)</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**SEWER FUND**  
**YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Earnings on Investments	\$ 200	\$ 200	\$ 5,099	\$ 4,899
Assessment Revenue	<u>37,100</u>	<u>37,100</u>	<u>30,786</u>	<u>(6,314)</u>
Total Revenues	<u>37,300</u>	<u>37,300</u>	<u>35,885</u>	<u>(1,415)</u>
<b>Expenditures</b>				
Miscellaneous	900	900	570	330
Debt Service				
Principal	32,900	32,900	30,993	1,907
Interest	<u>3,500</u>	<u>3,500</u>	<u>2,862</u>	<u>638</u>
Total Expenditures	<u>37,300</u>	<u>37,300</u>	<u>34,425</u>	<u>2,875</u>
Change in Fund Balance	-	-	1,460	1,460
<b>Fund Balance July 1, 2018</b>	<u>148,598</u>	<u>148,598</u>	<u>148,598</u>	<u>-</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 148,598</u>	<u>\$ 148,598</u>	<u>\$ 150,058</u>	<u>\$ 1,460</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**June 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability (Asset) - Non-hazardous	0.025269%	0.023929%	0.021097%	0.022742%	0.022742%
City's Proportion of the Net Pension Liability (Asset) - Hazardous	0.167252%	0.163189%	0.162268%	0.165202%	0.165202%
City's Proportionate Share of the Net Pension Liability (Asset) - Non-hazardous	\$ 1,538,959	\$ 1,400,638	\$ 1,038,734	\$ 997,060	\$ 737,836
City's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	<u>4,044,918</u>	<u>3,650,992</u>	<u>2,784,417</u>	<u>2,238,031</u>	<u>1,985,439</u>
Total City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 5,583,877</u>	<u>\$ 5,051,630</u>	<u>\$ 3,823,151</u>	<u>\$ 3,235,091</u>	<u>\$ 2,723,275</u>
City's Covered-Employee Payroll	\$ 1,567,093	\$ 1,486,245	\$ 1,395,020	\$ 1,328,926	\$ 1,316,816
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	356.32%	339.89%	274.06%	243.44%	206.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-hazardous	53.54%	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	49.26%	49.78%	53.95%	57.52%	63.46%

\*Only five years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS**  
**June 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

<u>Non-hazardous</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 112,262	\$ 92,693	\$ 81,549	\$ 66,780	\$ 69,047	\$ 72,458
Contributions in Relation to the Contractually Required Contribution	<u>(112,262)</u>	<u>(92,693)</u>	<u>(81,549)</u>	<u>(66,780)</u>	<u>(69,047)</u>	<u>(72,458)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
City's Covered-Employee Payroll	\$ 692,118	\$ 640,149	\$ 585,582	\$ 537,679	\$ 541,546	\$ 527,356
Contributions as a Percentage of Covered-Employee Payroll	16.22%	14.48%	13.93%	12.42%	12.75%	13.74%
<u>Hazardous</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 233,732	\$ 205,782	\$ 195,534	173,697	\$ 163,224	\$ 171,865
Contributions in Relation to the Contractually Required Contribution	<u>(233,732)</u>	<u>(205,782)</u>	<u>(195,534)</u>	<u>(173,697)</u>	<u>(163,224)</u>	<u>(171,865)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
City's Covered-Employee Payroll	\$ 896,380	\$ 926,944	\$ 900,663	\$ 857,341	\$ 787,380	\$ 789,460
Contributions as a Percentage of Covered-Employee Payroll	26.08%	22.20%	21.71%	20.26%	20.73%	21.77%

\*Only six years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**June 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
City's Proportion of the Net OPEB Liability (Asset) - Non-hazardous	0.025269%	0.023929%
City's Proportion of the Net OPEB Liability (Asset) - Hazardous	0.167252%	0.163189%
City's Proportionate Share of the Net OPEB Liability (Asset) - Non-hazardous	\$ 448,628	\$ 481,055
City's Proportionate Share of the Net OPEB Liability (Asset) - Hazardous	<u>1,192,646</u>	<u>1,349,037</u>
Total City's Proportionate Share of the Net OPEB Liability (Asset)	<u>\$ 1,641,274</u>	<u>\$ 1,830,092</u>
City's Covered - Employee Payroll	\$ 1,567,093	\$ 1,486,245
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered-Employee Payroll	104.73%	123.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-hazardous	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	64.24%	58.99%

*\*Only two years of information available. Additional years' information will be displayed as it becomes available.*

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY**  
**SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS**  
**June 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

<b>Non-hazardous</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 36,406	\$ 30,087
Contributions in Relation to the Contractually Required Contribution	<u>(36,406)</u>	<u>(30,087)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 692,118	\$ 640,149
Contributions as a Percentage of Covered-Employee Payroll	5.26%	4.70%
<b>Hazardous</b>	<b>2018</b>	<b>2018</b>
Contractually Required Contribution	\$ 98,438	\$ 86,669
Contributions in Relation to the Contractually Required Contribution	<u>(98,438)</u>	<u>(86,669)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 896,380	\$ 926,944
Contributions as a Percentage of Covered-Employee Payroll	10.98%	9.35%

*\*Only two years of information available. Additional years' information will be displayed as it becomes available.*

See accompanying notes.

**REQUIRED REGULATORY SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor  
Members of City Council  
City of Alexandria, 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 and each major fund of the City of Alexandria, Kentucky (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Alexandria, Kentucky's basic financial statements, and have issued our report thereon dated October 17, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

Honorable Mayor  
Members of City Council  
City of Alexandria, Kentucky  
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**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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
October 17, 2019

**CITY OF ALEXANDRIA, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001 Internal Control Over Financial Reporting**

*Criteria:* Internal controls over financial reporting should be established to ensure operations are ran efficiently and effectively, information is being reliably reported about operations, and to ensure compliance with applicable laws and regulations.

*Condition:* One employee has access to the bank accounts as an administrator, has the ability to initiate and approve online payments, has access to physical checks and is an authorized check signor, has access to the general ledger, and performs all bank reconciliations.

*Cause:* There was a lack of adequate controls and segregation of duties over the cash disbursement process and banking activity.

*Effect:* The lack of adequate controls and segregation of duties allows this employee improper access to bank accounts and complete control over cash disbursements. As a result, there is a risk for errors to accumulate without detection as well as a potential for fraud risk.

*Repeat Finding:* This is not a repeat finding.

*Recommendation:* We recommend the City review their current processes to ensure proper internal controls are put in place over cash disbursements and banking activity and adequate segregation of duties are implemented. This would include but is not limited to the following:

1. Someone without access to the general ledger, the ability to process cash disbursements, and who does not reconcile the bank statements should be set up with the administrator rights on the bank accounts.
2. No one employee should have the ability to initiate and approve online payments from the bank accounts. Access should be restricted to where the person who initiated the transaction cannot approve and vice versa.
3. Anyone with access to process cash disbursements should be removed as authorized signors on checks.

*Views of Responsible Officials and Planned Corrective Actions:* The City will review our current processes to ensure proper internal controls are put in place over the cash disbursement procedures. The City will work to implement proper segregation of duties.

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

No matters were reported.