

CITY OF ALEXANDRIA, KENTUCKY

June 30, 2021

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



**CITY OF ALEXANDRIA, KENTUCKY
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**CITY OF ALEXANDRIA, KENTUCKY
CITY OFFICIALS**

MAYOR

Andrew Schabell

COUNCIL MEMBERS

Stacey Graus

Tom Baldrige

Susan Vanlandingham

Kyle Sparks

Steven Shinkle

Joe Anderson

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, 2021, 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 auditors consider 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, 2021, 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.

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 42–43, the City's pension schedules on pages 44 and 45, and the OPEB schedules on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alexandria, Kentucky's basic financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (With Variances) – Sewer Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (With Variances) – Sewer Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 21, 2021, 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 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.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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, 2021. 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 2021 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 \$3,405,924 (net position).
- The City's total net position increased by \$367,952.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$5,896,139, an increase of \$1,006,078. \$5,612,481 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 \$5,612,481 or 100.1% of the total general fund expenditures.
- The City's total debt increased by \$187,644 (25.4%), 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 \$1,746,282, from \$3,282,059 at June 30, 2020 to \$5,028,341 at June 30, 2021.
- The City's investment account increased by \$116,923.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are 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, 2021
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 balance 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 balance for the General Fund, Municipal Road Aid Fund, Area Referral Connection (ARC) 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.

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 16–41 of this report.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

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 2021 compared to 2020:

**Table 1
Net Position**

	Governmental Activities	
	2021	2020
Assets		
Current Assets	\$ 6,229,475	\$ 5,138,004
Noncurrent Assets, Net	5,799,428	5,314,175
Total Assets	12,028,903	10,452,179
Deferred Outflows of Resources	2,040,779	2,079,793
Liabilities		
Current Liabilities	309,828	284,998
Noncurrent Liabilities	9,961,768	8,458,387
Total Liabilities	10,271,596	8,743,385
Deferred Inflows of Resources	392,162	750,615
Net Position		
Invested in Capital Assets Net of Related Debt	5,125,378	4,803,420
Restricted for		
Municipal Road Aid Fund	76,695	71,375
Area Referral Connection Fund	3,250	-
Sewer Fund	80,705	298,788
Unrestricted	(1,880,104)	(2,135,611)
Total Net Position	\$ 3,405,924	\$ 3,037,972

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 \$3.4 million as of June 30, 2021.

The largest portion of the City's net position (approximately \$5.1 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.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

An additional portion of the City's net position (approximately \$161,000) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for road aid purposes, area referral connection program, 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 \$1,746,282 from the previous year primarily due to receipts that exceeded disbursements and additional CARES funding received.
- Investments increased \$116,923 from the previous year due to investing an additional \$100,000 in the Kentucky League of City's investment pool during the year.
- Other receivables decreased \$588,529 from the previous year primarily due to having a receivable in the previous year of \$519,241 for Coronavirus Relief Funding earned. All funding was received prior to year-end in the current year.
- Capital assets increased \$504,767 primarily due to the addition of land and police equipment in the total amount of \$817,213. This was offset by the surplus of some assets along with continued depreciation on all assets.
- The City entered into a capital lease during the year in the amount of \$329,592 for new police equipment.
- Net pension liability increased \$746,158 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 decreased by \$358,453. Deferred inflows related to OPEB decreased by \$197,052 largely due to a decrease in the difference between expected and actual experience. Deferred inflows related to pension decreased \$161,401 primarily due to a decrease in the net difference between projected and actual earnings on plan investments.
- The City has \$1,880,104 of unrestricted net deficit as of June 30, 2021.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal years 2021 and 2020.

**Table 2
Change in Net Position**

	Governmental Activities	
	Years Ended June 30,	
	2021	2020
Revenues		
General Revenues		
Taxes	\$ 5,002,017	\$ 4,727,652
Licenses and Permits	34,439	30,136
Fines and Forfeitures	30,221	14,876
Earnings on Investments	22,084	22,807
Gain on Sale of Capital Assets	7,010	-
Miscellaneous	89,411	60,363
Total General Revenues	<u>5,185,182</u>	<u>4,855,834</u>
Program Revenues		
Charges for Service	732,390	687,166
Operating Grants and Contributions	487,274	632,731
Capital Grants and Contributions	162,290	160,935
Total Program Revenues	<u>1,381,954</u>	<u>1,480,832</u>
Total Revenues	<u>6,567,136</u>	<u>6,336,666</u>
Program Expenses		
General Government	951,771	824,429
Police	1,785,068	1,712,873
Public Works	844,642	775,303
Waste Collection	722,864	581,644
Planning and Inspection	76,664	76,622
Parks and Recreation	21,734	18,507
Miscellaneous	447	4,594
Interest on Long-Term Debt	2,493	3,154
Pension Expense	1,181,817	1,232,508
Other Postemployment Benefit Expense	326,054	226,644
Depreciation	285,630	245,255
Total Program Expenses	<u>6,199,184</u>	<u>5,701,533</u>
Change in Net Position	<u>\$ 367,952</u>	<u>\$ 635,133</u>

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

Governmental Activities

Governmental activities increased the City's net position by \$367,952. Key elements of this increase are as follows:

- General tax revenue increased approximately \$274,000 due to continued economic growth of the City.
- Operating Grants and Contributions decreased approximately \$145,000 due to a decrease in CARES funding received along with other miscellaneous grants not being received in the current year.
- Public Works expenses increased approximately \$69,000 due to an increase in infrastructure expenses along with an increase in salt purchased during the current year.
- Waste Collection expense increased approximately \$141,000 due to a price increase along with continued growth in the city leading to additional waste collection fees.

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 \$5,896,139, an increase of \$1,006,078, in comparison to the prior year. This total consists of: General Fund - \$5,735,489; Municipal Road Aid Fund - \$76,695; Sewer Fund - \$80,705; and ARC Fund - \$3,250.

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 \$5,612,481. The total fund balance increased by \$998,590. This increase was the result of tax revenue exceeding budgeted revenues while overall expenses were lower than budgeted. Additionally, the City received reimbursement for eligible expenditures as a result of the coronavirus pandemic for approximately \$386,000.

The Municipal Road Aid Fund balance increased by \$5,320. This increase was the result of the state increasing road aid assistance compared to previous years.

The Sewer Fund balance decreased \$1,082 as a result of normal payments of debt.

The ARC Fund balance increased \$3,250 due to opening this fund during 2021 for donations made specifically for the ARC program.

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 \$4.7 million.

For the general fund, budgeted revenues were budgeted at \$5.6 million. Actual revenues were approximately \$6.3 million. Actual revenues exceeded budgeted revenues largely due to an increase in general tax revenue and receiving additional funding from the Coronavirus Relief Fund that was not budgeted for.

Expenditures were budgeted at approximately \$5.8 million, while actual expenditures were approximately \$5.6 million. Actual expenditures were less than budgeted largely due to over-budgeting for capital outlay. Additionally, the City had less expenses than expected due to the COVID-19 pandemic and various events and businesses were either canceled or shut down.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had approximately \$5.6 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2021 balances compared to fiscal year 2020.

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

	Governmental Activities	
	2021	2020
Land	\$ 1,769,496	\$ 1,239,000
Construction in Progress	55,637	61,778
Asset Not Yet in Service	-	158,206
Buildings	332,300	348,115
Improvements	204,866	197,913
Infrastructure	2,656,146	2,753,916
Vehicles	341,562	329,373
Equipment	273,790	41,825
Furniture and Fixtures	5,233	4,137
	<u>\$ 5,639,030</u>	<u>\$ 5,134,263</u>

Major capital asset events during the current fiscal year included purchasing land and police equipment.

Long-Term Debt

At June 30, 2021, the City had approximately \$926,000 in outstanding long-term debt.

The following is a summary of the City's long-term debt transactions during 2021.

	June 30, 2020	Additions	Repayments	June 30, 2021
Compensated Absences	\$ 407,393	\$ 4,835	\$ -	\$ 412,228
Capital Lease Liabilities	65,471	329,592	81,379	313,684
Notes Payable	265,372	-	65,404	199,968
	<u>\$ 738,236</u>	<u>\$ 334,427</u>	<u>\$ 146,783</u>	<u>\$ 925,880</u>

The City's long-term debt increased \$187,644 during the fiscal year due to an additional \$329,592 in capital lease obligations, \$81,379 in capital lease payments, and \$65,404 in note payable payments. Additionally, compensated absences increased by \$4,835 as there were no retirement payouts during the year.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

Economic Factors in Next Year's Budget

The City remains in a solid financial position even though a negative turn in economic conditions for Alexandria due to COVID is possible.

The City purchased 9.8 acres of land on Alexandria Pike which will house the future City of Alexandria, Kentucky office complex. Studies have been and will continue to be conducted to utilize the land to best suit the needs of City Administration, Police Department, Public Works and Community Center as well as address the needs of the residents of Alexandria.

The City's current tax delinquencies are less than .0018% while the City's total revenue increased slightly due to current growth and reducing expenditure costs.

For the 2021 fiscal year, the City proposed for the property tax rate to remain at .174% per \$100 of valuation. With some changes in assessment values and growth in new developments, the City would then anticipate a slight increase in tax revenue. The City will continue to monitor the budget and follow safe planning and management for the 2021-22 fiscal year. Even as the City works hard to keep the property tax rate as low as possible, the City's anticipated growth will cause operating expenses to grow as well. Due to COVID, the City expects Payroll Taxes and Gross Receipt Taxes on businesses operating in the city limits to be affected, but the City is still unsure how much that affect will be.

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. As the City grows in population, keeping expenses controlled in order to be responsible to citizens' needs and wants will be necessary.

As in previous years, the regular maintenance, upkeep and repairs of various city streets and sidewalks will continue to be a major focus of the budget. The City anticipates the expenditures for the city street and sidewalk programs to be in the same range as what was spent last year. As the City's population grows, so too will the visitors to the local park so the City will be examining improvements needed at Alexandria Community Park.

Even with the uncertain economy, the City continues to be poised for growth and the population is increasing. The Arcadia Development currently has approximately 697 living units, which is about 68% of the development completion; the second entrance to the subdivision, which is on Tollgate Road, opened August 2020. The Eagle Ridge development on Poplar Ridge is complete with 63 lots permitted (64 total lots with 1 unit purchasing 2 lots). Timber Creek is approximately 15% completed with 25 out of 158 lots permitted. A new 366-unit development, Alexandria Flats on Alexandria Pike, is in the beginning stages with grading being done and the clubhouse in the building phase. Another 123-unit apartment development, Rifle Ridge, on Breckenridge is in the planning phase. The Baptist Life Community (The Seasons @ Alexandria) continues to operate at capacity.

The City's Police Social Work Program in the Police Department continues to offer services for the citizens and the City will continue to look at ways to increase those services while minimizing increasing costs and exploring more grant opportunities. The new radio communications system that links the Police Department and Public Works Department with all other police, fire, public works, etc. in Northern Kentucky was put in place and programmed September 2020 with minimal issues experienced.

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

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(Continued)**

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 City 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, 2021

	<u>Governmental Activities</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	\$ 5,028,341
Investments	266,933
Accounts Receivable	
Property Taxes	35,738
Insurance Taxes	390,920
Payroll and Occupational Taxes	457,831
Other Receivables - Current Portion	46,086
Prepaid Expenses	<u>3,626</u>
Total Current Assets	<u>6,229,475</u>
Noncurrent Assets	
Other Receivables	<u>160,398</u>
Capital Assets	
Land	1,769,496
Construction in Progress	55,637
Depreciable Capital Assets	7,204,517
Less Accumulated Depreciation	<u>(3,390,620)</u>
Total Capital Assets	<u>5,639,030</u>
Total Noncurrent Assets	<u>5,799,428</u>
Total Assets	<u>12,028,903</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	1,229,930
Deferred Outflows Related to Other Postemployment Benefits	<u>810,849</u>
Total Deferred Outflows of Resources	<u>2,040,779</u>
Total Assets and Deferred Outflows of Resources	<u>14,069,682</u>
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable and Accrued Expenses	132,319
Accrued Payroll and Withholdings	39,483
Compensated Absences	55,277
Capital Lease Liabilities	50,815
Notes Payable	<u>31,934</u>
Total Current Liabilities	<u>309,828</u>
Noncurrent Liabilities (Less Current Portion)	
Compensated Absences	356,951
Capital Lease Liabilities	262,869
Notes Payable	168,034
Net Pension Liability	7,001,223
Net Other Postemployment Benefit Liability	<u>2,172,691</u>
Total Noncurrent Liabilities	<u>9,961,768</u>
Total Liabilities	<u>10,271,596</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	85,898
Deferred Inflows Related to Other Postemployment Benefits	<u>306,264</u>
Total Deferred Inflows of Resources	<u>392,162</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,663,758</u>
Net Position	
Net Investment in Capital Assets	5,125,378
Restricted for	
Municipal Road Aid Fund	76,695
Area Referral Connection Fund	3,250
Sewer Fund	80,705
Unrestricted	<u>(1,880,104)</u>
Total Net Position	<u>\$ 3,405,924</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</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>
Primary Government					
Governmental Activities					
General Government	\$ 951,771	\$ 21,317	\$ 24,075	\$ -	\$ (906,379)
Police	1,785,068	7,200	459,828	-	(1,318,040)
Public Works	844,642	-	-	162,290	(682,352)
Waste Collection	722,864	691,302	-	-	(31,562)
Planning and Inspection	76,664	8,907	-	-	(67,757)
Parks and Recreation	21,734	3,664	3,371	-	(14,699)
Miscellaneous	447	-	-	-	(447)
Interest on Long-Term Debt	2,493	-	-	-	(2,493)
Pension Expense	1,181,817	-	-	-	(1,181,817)
Other Postemployment Benefit Expense	326,054	-	-	-	(326,054)
Depreciation	285,630	-	-	-	(285,630)
Total Primary Government	\$ 6,199,184	\$ 732,390	\$ 487,274	\$ 162,290	(4,817,230)
General Revenues					
Taxes					5,002,017
Earnings on Investments					22,084
Licenses and Permits					34,439
Fines and Forfeitures					30,221
Gain on Sale of Assets					7,010
Miscellaneous					89,411
Total General Revenues					<u>5,185,182</u>
Change in Net Position					367,952
Net Position July 1, 2020					<u>3,037,972</u>
Net Position June 30, 2021					<u>\$ 3,405,924</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>ARC Fund</u>	<u>Sewer Fund</u>	<u>Total Govern- mental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 4,886,319	\$ 58,067	\$ 3,250	\$ 80,705	\$ 5,028,341
Investments	266,933	-	-	-	266,933
Accounts Receivable					
Property Taxes	35,738	-	-	-	35,738
Insurance Taxes	390,920	-	-	-	390,920
Payroll and Occupational Taxes	457,831	-	-	-	457,831
Other Receivables	629	18,628	-	187,227	206,484
Prepaid Expenses	3,626	-	-	-	3,626
Total Assets	<u>\$ 6,041,996</u>	<u>\$ 76,695</u>	<u>\$ 3,250</u>	<u>\$ 267,932</u>	<u>\$ 6,389,873</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts Payable	\$ 132,319	\$ -	\$ -	\$ -	\$ 132,319
Accrued Payroll and Withholdings	39,483	-	-	-	39,483
Total Liabilities	<u>171,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,802</u>
Deferred Inflows of Resources					
Unavailable Revenue - Taxes	134,705	-	-	-	134,705
Unavailable Revenue - Sewer Assessments	-	-	-	187,227	187,227
Total Deferred Inflows of Resources	<u>134,705</u>	<u>-</u>	<u>-</u>	<u>187,227</u>	<u>321,932</u>
Fund Balances					
Non-Spendable					
Prepaid Expenses	3,626	-	-	-	3,626
Restricted for					
Municipal Road Aid					
Fund Balance	-	76,695	-	-	76,695
ARC Fund Balance	-	-	3,250	-	3,250
Sewer Fund Balance	-	-	-	80,705	80,705
Police Forfeiture Cash	20,730	-	-	-	20,730
Committed for					
Planning and Zoning Cash	11,418	-	-	-	11,418
Assigned					
Insurance Fund Cash	87,234	-	-	-	87,234
Unassigned	5,612,481	-	-	-	5,612,481
Total Fund Balances	<u>5,735,489</u>	<u>76,695</u>	<u>3,250</u>	<u>80,705</u>	<u>5,896,139</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,041,996</u>	<u>\$ 76,695</u>	<u>\$ 3,250</u>	<u>\$ 267,932</u>	<u>\$ 6,389,873</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance - Governmental Funds \$ 5,896,139

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	\$ 9,029,650	
Accumulated Depreciation	<u>(3,390,620)</u>	
		5,639,030

Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		321,932
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Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(412,228)
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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	1,229,930	
Deferred Outflows of Resources Related to Other Postemployment Benefits	810,849	
Deferred Inflows of Resources Related to Pension	(85,898)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>(306,264)</u>	
		1,648,617

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		(313,684)
Notes Payable		(199,968)
Net Pension Liability		(7,001,223)
Net Other Postemployment Benefit Liability		<u>(2,172,691)</u>

Net Position of Governmental Activities in the Statement of Net Position		\$ <u><u>3,405,924</u></u>
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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, 2021

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>ARC Fund</u>	<u>Sewer Fund</u>	<u>Total Govern- mental Funds</u>
Revenues					
Taxes	\$ 4,949,032	\$ -	\$ -	\$ -	\$ 4,949,032
Licenses and Permits	34,439	-	-	-	34,439
Fines and Forfeitures	30,221	-	-	-	30,221
Other Revenue	88,576	-	3,477	-	92,053
Earnings on Investments	18,638	-	-	3,446	22,084
Intergovernmental Revenue	491,642	162,290	-	-	653,932
Charges for Services	732,390	-	-	29,774	762,164
Total Revenues	<u>6,344,938</u>	<u>162,290</u>	<u>3,477</u>	<u>33,220</u>	<u>6,543,925</u>
Expenditures					
Current					
General Government	991,918	-	-	-	991,918
Police	2,162,496	-	227	-	2,162,723
Public Works	782,906	156,970	-	-	939,876
Waste Collection	722,864	-	-	-	722,864
Planning and Inspection	84,595	-	-	-	84,595
Parks and Recreation	21,734	-	-	-	21,734
Miscellaneous	-	-	-	447	447
Debt Service					
Principal	115,166	-	-	31,617	146,783
Interest	3,864	-	-	2,238	6,102
Capital Outlay	720,805	-	-	-	720,805
Total Expenditures	<u>5,606,348</u>	<u>156,970</u>	<u>227</u>	<u>34,302</u>	<u>5,797,847</u>
Excess (Deficit) of Revenues Over Expenditures	738,590	5,320	3,250	(1,082)	746,078
Other Financing Source					
Proceeds on Capital Lease	260,000	-	-	-	260,000
Change in Fund Balance	998,590	5,320	3,250	(1,082)	1,006,078
Fund Balance July 1, 2020	<u>4,736,899</u>	<u>71,375</u>	<u>-</u>	<u>81,787</u>	<u>4,890,061</u>
Fund Balance June 30, 2021	<u>\$ 5,735,489</u>	<u>\$ 76,695</u>	<u>\$ 3,250</u>	<u>\$ 80,705</u>	<u>\$ 5,896,139</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, 2021**

Change in Fund Balances - Total Governmental Funds \$ 1,006,078

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 depreciation exceeds capital outlays.

Depreciation Expense	\$ (285,630)	
Capital Outlays	<u>790,397</u>	504,767

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.

(4,835)

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, 2020	(120,180)	
City Other Postemployment Benefit Contributions - June 30, 2021	120,115	
Change in Other Postemployment Benefit Liability	<u>(205,874)</u>	(205,939)

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, 2020	(409,698)	
City Pension Contributions - June 30, 2021	409,296	
Cost of Benefits Earned Net of Employee Contributions	<u>(772,119)</u>	(772,521)

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	(329,592)	
Principal Repayment for Capital Lease Liability	81,379	
Principal Repayment for Notes Payable	<u>65,404</u>	(182,809)

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

23,211

Change in Net Position - Governmental Activities \$ 367,952

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 Area Referral Connection (ARC) 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 ARC 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.

Investments

Investments are reported at fair value based on quoted market prices.

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, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 appraised value) 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 \$1,000. 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 City 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 City 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.

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.

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

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.

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

Property Taxes

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

Recently Issued Significant Accounting Standards*Lease Accounting Standard*

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

Conduit Debt Obligations

GASB Statement No. 91, *Conduit Debt Obligations*, was issued to provide a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The requirements of GASB Statement No. 91 are effective for reporting periods beginning after December 15, 2021. The City is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

Omnibus 2020

GASB Statement No. 92, *Omnibus 2020*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 92 are effective for reporting periods beginning after June 15, 2021, other than the requirements related to the effective date of GASB Statement No. 87, which is effective upon issuance. The City is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

Replacement of Interbank Offered Rates

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of GASB Statement No. 93, except paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirements in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021. The City is currently evaluating the impact GASB Statement No. 93 may have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The requirements of GASB Statement No. 94 are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact GASB Statement No. 94 may have on its financial statements.

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB Statement No. 96 are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact GASB Statement No. 96 may have on its financial statements.

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued to (1) increase consistency and comparability related to the fiduciary reporting of component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. Aspects of GASB Statement No. 97 are effective immediately, however there was no significant impact to the City's financial statements for the year ended June 30, 2021. Other requirements of GASB Statement No. 97 are effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact GASB Statement No. 97 may have on its financial statements.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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.

A formal budget is not adopted for the Area Referral Connection fund.

The General Fund had excess principal expenditures over budget of \$65,416 due to capital lease payments for the new equipment not being budgeted for.

NOTE 3 - DEPOSITS AND INVESTMENTS**Investment Policy**

It is the policy of the City to invest public funds in a manner that will provide the maximum security and highest investment of principle while meeting the daily cash flow demands of the City and conforming to both KRS 91A.060 and KRS 66.480.

In accordance with KRS 66.480, the City is authorized to invest in the following:

- 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) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.
- C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.
- D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).
- E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.
- F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.
- G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.
- H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.
- J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
- K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).
- L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Deposits and Investments**

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, 2021, \$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.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial credit risk at June 30, 2021 .

Interest rate risk – investments. For an investment, interest rate risk is the risk that interest rates will change and cause a decrease in the value of an entity's investments. The City does not have a formal investment maturities policy as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – investments. For an investment, credit risk is the risk that issuers of securities owned by an entity will default or that other parties that owe the entity money will not fulfill its obligations. At June 30, 2021 the City's investments were held in funds established by the Kentucky League of Cities Investment Pool. These funds are not rated.

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2021:

Investments	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)	Total
<i>Kentucky League of Cities Investment Pool</i>				
Government Bond Fund	\$ -	\$ 35	\$ -	\$ 35
Corporate Bond Fund	-	164,998	-	164,998
Equity S&P 500 Index Fund	-	101,900	-	101,900
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 266,933</u>	<u>\$ -</u>	<u>\$ 266,933</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital Assets Not Being Depreciated				
Depreciated				
Land	\$ 1,239,000	\$ 530,496	\$ -	\$ 1,769,496
Construction in Progress	61,778	-	(6,141)	55,637
Asset Not Yet in Service	158,206	-	(158,206)	-
	<u>1,458,984</u>	<u>530,496</u>	<u>(164,347)</u>	<u>1,825,133</u>
Total Capital Assets Not Being Depreciated	1,458,984	530,496	(164,347)	1,825,133
Depreciable Capital Assets				
Buildings	632,530	-	-	632,530
Improvements	404,010	22,168	-	426,178
Infrastructure	3,910,780	-	-	3,910,780
Vehicles	1,057,951	112,714	(84,121)	1,086,544
Equipment	869,973	286,717	(59,348)	1,097,342
Furniture and Fixtures	48,494	2,649	-	51,143
	<u>6,923,738</u>	<u>424,248</u>	<u>(143,469)</u>	<u>7,204,517</u>
Total Depreciable Capital Assets	6,923,738	424,248	(143,469)	7,204,517
Total Capital Assets at Historical Cost	<u>8,382,722</u>	<u>954,744</u>	<u>(307,816)</u>	<u>9,029,650</u>
Less Accumulated Depreciation				
Buildings	284,415	15,815	-	300,230
Improvements	206,097	15,215	-	221,312
Infrastructure	1,156,864	97,770	-	1,254,634
Vehicles	728,578	100,525	(84,121)	744,982
Equipment	828,148	54,752	(59,348)	823,552
Furniture and Fixtures	44,357	1,553	-	45,910
	<u>3,248,459</u>	<u>285,630</u>	<u>(143,469)</u>	<u>3,390,620</u>
Total Accumulated Depreciation	3,248,459	285,630	(143,469)	3,390,620
Depreciable Capital Assets, Net	<u>3,675,279</u>	<u>138,618</u>	<u>-</u>	<u>3,813,897</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 5,134,263</u>	<u>\$ 669,114</u>	<u>\$ (164,347)</u>	<u>\$ 5,639,030</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 Liabilities**

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 \$26,368 for the year ended June 30, 2021.

In September 2020, the City entered into a capital lease agreement for the purchase of land. The capital lease charges interest at 2.12% and expires in October 2030. At the conclusion of the capital lease, ownership passes to the City. The land is non-depreciable.

In October 2020, 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 October 2024. Depreciation expense for the equipment held under the capital lease was \$9,279 for the year ended June 30, 2021.

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

Years Ending June 30,	
2022	\$ 55,762
2023	43,028
2024	43,028
2025	43,028
2026	28,880
Thereafter	<u>125,145</u>
	338,871
Less Interest Portion	<u>25,187</u>
Net Capital Lease Liabilities	313,684
Less Current Portion	<u>50,815</u>
Long-Term Portion	<u>\$ 262,869</u>

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

	June 30, 2021
Equipment	\$ 227,798
Less Accumulated Depreciation	<u>35,647</u>
Net Capital Lease Liability Property	<u>\$ 192,151</u>

NOTE 5 - LONG-TERM DEBT (Continued)**Notes from Direct Borrowings**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%. Principal payments of \$33,787 were made during the year. This note payable matured in April 2021.

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:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2022	\$ 22,364	\$ 1,202	\$ 240	\$ 23,806
2023	22,588	978	196	23,762
2024	22,814	752	150	23,716
2025	23,043	523	105	23,671
2026	34,998	351	70	35,419
Total	\$ 125,807	\$ 3,806	\$ 761	\$ 130,374

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:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2022	\$ 9,570	\$ 718	\$ 144	\$ 10,432
2023	9,666	622	124	10,412
2024	9,763	525	105	10,393
2025	9,861	427	85	10,373
2026	9,960	328	67	10,355
2027 - 2029	25,341	381	76	25,798
Total	\$ 74,161	\$ 3,001	\$ 601	\$ 77,763

NOTE 5 - LONG-TERM DEBT (Continued)

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

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
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	32,904	950	190	34,044
2026	44,958	679	137	45,774
2027 - 2029	25,341	381	76	25,798
Total	\$ 199,968	\$ 6,807	\$ 1,362	\$ 208,137

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, 2021.

Governmental Activities	Debt Outstanding June 30, 2020	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2021	Amounts Due Within 1 Year
Compensated Absences	\$ 407,393	\$ 4,835	\$ -	\$ 412,228	\$ 55,277
Capital Lease Liabilities	65,471	329,592	81,379	313,684	50,815
Notes From Direct Borrowings	265,372	-	65,404	199,968	31,934
	\$ 738,236	\$ 334,427	\$ 146,783	\$ 925,880	\$ 138,026

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) (Kentucky Public Pension Authority effective April 2021) 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

Age	Years of Service	Allowance Reduction
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

Age	Years of Service	Allowance Reduction
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

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest years of compensation if participation began before 09/01/2008.		2.20% if:		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		Member begins participating prior to 08/01/2004.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		2.00% if:		
		Member begins participating on or after 08/01/2004 and before 09/01/2008.		
		Increasing percent based on service at retirement up to 30 years* 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 - 25 years (1.50%); 26 - 30 years (1.75%)**

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	Upside Sharing Interest x 75% = Upside Gain		
5.29%	4.00%	1.29%	0.97%	4.97%	\$ 9,203,000

NOTE 6 - PENSION PLAN (Continued)

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>
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 Began On or After 09/01/2008 but before 01/01/2014

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
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 55 or 25 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>
60	5	None
Any	25	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 three highest years of compensation if participation began before 09/01/2008.	2.50% if:	Member begins participating before 09/01/2008.	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 of compensation if participation began on or after 09/01/2008.	Increasing percent based on service at retirement* if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.	

* **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					
<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	Upside Sharing Interest x 75% = Upside Gain		
5.53%	4.00%	1.53%	1.15%	5.15%	\$ 2,791,000

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 (requirement is waived if line of duty disability) 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 as the greater 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 hybrid 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 hypothetical 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.

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-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 members 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 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 year ended June 30, 2021, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) for the non-hazardous system of each employee's creditable compensation and 39.58% (30.06% pension fund and 9.52% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the City were \$409,296 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$7,001,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, 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, 2021, the City's proportion for the non-hazardous system was 0.028029% and for the hazardous system was 0.160908%, which was an increase of 0.000582% and 0.004346% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2020.

For the year ended June 30, 2021, the City recognized pension expense of \$1,181,817. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 163,087	\$ -
Difference Between Expected and Actual Experience	204,071	-
Changes of Assumptions	267,939	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	185,537	85,898
Contributions After Measurement Date	409,296	-
	<u> </u>	<u> </u>
Total	<u>\$ 1,229,930</u>	<u>\$ 85,898</u>

NOTE 6 - PENSION PLAN (Continued)

The \$409,296 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, 2022. 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,		
2022	\$	319,323
2023		201,608
2024		128,386
2025		<u>85,419</u>
Total	\$	<u>734,736</u>

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.00%
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	3.30 to 10.30%, varies by service for non-hazardous; 3.05% to 18.55%, varies by service for hazardous
Investment Rate of Return	6.25% Net of pension plan investment expense. including inflation

The Board of Trustees for the Kentucky Retirement Systems adopted new actuarial assumptions since June 30, 2018. The Total Pension liability as of June 30, 2020 was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

NOTE 6 - PENSION PLAN (Continued)

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

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.

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
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	39.00
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single 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 projections of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Except where noted, the future contributions are projected assuming that each participating employer in the system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ending 2021.

NOTE 6 - PENSION PLAN (Continued)

Sensitivity of the Bureau's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Bureau's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the Bureau's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) 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	\$ 2,651,173	\$ 2,149,801	\$ 1,734,646
Hazardous	\$ 5,995,667	\$ 4,851,422	\$ 3,917,416

Changes of assumptions: There have been no changes in actuarial assumptions since June 30, 2020 valuation date.

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.

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) (Kentucky Public Pension Authority effective April 2021) 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. The Bureau only participates in the non-hazardous plan.

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. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

NOTE 7 - OPEB PLAN (Continued)

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:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
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%

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5.00% while hazardous duty members contribute 8.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

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.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members 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 or 7.50% hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

NOTE 7 - OPEB PLAN (Continued)

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, 2021, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) for the non-hazardous system and 39.58% (30.06% pension fund and 9.52% 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 \$120,115 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$2,172,691 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end June 30, 2020, 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, 2021, the City's proportion for the non-hazardous system was 0.028081% and for the hazardous system was 0.161737%, which was an increase of 0.000563% and 0.005206% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2020.

For the year ended June 30, 2021, the City recognized OPEB expense of \$326,054. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual		
Earnings on OPEB Plan Investments	\$ 88,883	\$ -
Difference Between Expected and Actual Experience	164,581	262,634
Changes of Assumptions	361,774	2,094
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	75,496	41,536
Contributions After Measurement Date	120,115	-
	<u>810,849</u>	<u>306,264</u>
Total	<u>\$ 810,849</u>	<u>\$ 306,264</u>

NOTE 7 - OPEB PLAN (Continued)

\$120,115 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2022	\$ 102,560
2023	70,258
2024	92,435
2025	92,773
2026	<u>26,444</u>
Total	<u>\$ 384,470</u>

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll Amortization Method
Amortization Period	30 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	2.00%
Inflation	2.30%
Salary Increase	3.30 to 11.55%, varies by service for non-hazardous' 3.05% to 18.55%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB -2010 General Mortality Table, for the Non-hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.

NOTE 7 - OPEB PLAN (Continued)

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan changes.

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.

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
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.34% for non-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 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NOTE 7 - OPEB PLAN (Continued)

The projection of cash flows used to determine the single discount rate include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provisions from Senate Bill 249 (passed in 2020) which kept CERS contributions level from fiscal year ending 2021.

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 (4.34% for non-hazardous) or 1-percentage-point higher (6.34% for non-hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Non-hazardous	\$ 871,122	\$ 678,071	\$ 519,511
Hazardous	\$ 2,028,908	\$ 1,494,620	\$ 1,064,093

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: 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 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	\$ 524,996	\$ 678,071	\$ 863,830
Hazardous	\$ 1,068,100	\$ 1,494,620	\$ 2,018,991

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date

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.

NOTE 8 - OPERATING LEASES

The City leases office equipment and a parking lot under operating leases expiring at various times through February 2027. Expenditures under operating leases totaled \$12,389 for the year ended June 30, 2021. Future minimum rental payments under these leases are as follows:

Years Ending June 30,		
2022	\$	11,262
2023		11,262
2024		11,262
2025		9,328
2026		4,200
Thereafter		<u>2,800</u>
Total	\$	<u><u>50,114</u></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.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2021 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 - RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

Prior to year-end, the World Health Organization announced a global health emergency, later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial and economic markets across the World and within the United States. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the City.

NOTE 13 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 21, 2021, which is the date the financial statements were available to be issued.

In September 2021, the City was approved for \$71,125 of corona-virus relief funds, under the Corona-virus Aid Relief, and Economic Security Act for expenses incurred during the COVID-19 pandemic.

In September 2021, the City was awarded a Community Development Block Grant for Utility Assistance for \$200,000. This funding is to be used for residents of the City of Alexandria, Kentucky who need assistance paying for their utilities due to a COVID-19 hardship.

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 4,246,520	\$ 4,491,300	\$ 4,949,032	\$ 457,732
Licenses and Permits	29,550	29,100	34,439	5,339
Fines and Forfeitures	14,850	7,925	30,221	22,296
Other Revenues	35,000	64,600	88,576	23,976
Earnings on Investments	10,000	10,850	18,638	7,788
Intergovernmental Revenue	147,750	293,825	491,642	197,817
Charges for Services	733,825	728,775	732,390	3,615
Total Revenues	5,217,495	5,626,375	6,344,938	718,563
Expenditures				
General Government	905,475	1,041,150	991,918	49,232
Police	2,310,350	2,195,200	2,162,496	32,704
Public Works	919,800	868,675	782,906	85,769
Waste Collection	657,840	736,000	722,864	13,136
Planning and Inspection	102,575	86,050	84,595	1,455
Parks and Recreation	16,720	17,220	21,734	(4,514)
Debt Service				
Principal	49,750	49,750	115,166	(65,416)
Interest	4,210	4,210	3,864	346
Capital Outlay	244,500	829,500	720,805	108,695
Total Expenditures	5,211,220	5,827,755	5,606,348	221,407
Excess (Deficit) of Revenues Over Expenditures	6,275	(201,380)	738,590	939,970
Other Financing Source				
Proceeds on Capital Lease	-	260,000	260,000	-
Change in Fund Balance	6,275	58,620	998,590	939,970
Fund Balance July 1, 2020	4,736,899	4,736,899	4,736,899	-
Fund Balance June 30, 2021	\$ 4,743,174	\$ 4,795,519	\$ 5,735,489	\$ 939,970

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, 2021**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget (Favorable) (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenue	\$ 153,000	\$ 156,200	\$ 162,290	\$ 6,090
Expenditures				
Public Works	<u>153,000</u>	<u>153,000</u>	<u>156,970</u>	<u>(3,970)</u>
Change in Fund Balance	-	3,200	5,320	2,120
Fund Balance July 1, 2020	<u>71,375</u>	<u>71,375</u>	<u>71,375</u>	<u>-</u>
Fund Balance June 30, 2021	<u>\$ 71,375</u>	<u>\$ 74,575</u>	<u>\$ 76,695</u>	<u>\$ 2,120</u>

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2021

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability - Non-hazardous	0.028029%	0.027447%	0.025269%	0.023929%	0.021097%	0.022742%	0.022742%
City's Proportion of the Net Pension Liability - Hazardous	0.160908%	0.156562%	0.167252%	0.163189%	0.162268%	0.165202%	0.165202%
City's Proportionate Share of the Net Pension Liability - Non-hazardous	\$ 2,149,801	\$ 1,930,360	\$ 1,538,959	\$ 1,400,638	\$ 1,038,734	\$ 997,060	\$ 737,836
City's Proportionate Share of the Net Pension Liability - Hazardous	<u>4,851,422</u>	<u>4,324,705</u>	<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	<u>\$ 7,001,223</u>	<u>\$ 6,255,065</u>	<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	\$ 1,461,952	\$ 1,588,498	\$ 1,567,093	\$ 1,486,245	\$ 1,395,020	\$ 1,328,926	\$ 1,316,816
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	478.90%	393.77%	356.32%	339.89%	274.06%	243.44%	206.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-hazardous	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

**Only seven 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, 2021

County Employees Retirement System
Last 10 Fiscal Years*

Non-hazardous	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 135,710	\$ 136,610	\$ 112,262	\$ 92,693	\$ 81,549	\$ 66,780	\$ 69,047	\$ 72,458
Contributions in Relation to the Contractually Required Contribution	<u>(135,710)</u>	<u>(136,610)</u>	<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 Payroll	\$ 703,165	\$ 707,822	\$ 692,118	\$ 640,149	\$ 585,582	\$ 537,679	\$ 541,546	\$ 527,356
Contributions as a Percentage of Covered Payroll	19.30%	19.30%	16.22%	14.48%	13.93%	12.42%	12.75%	13.74%
Hazardous	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 273,586	\$ 273,088	\$ 233,732	\$ 205,782	\$ 195,534	173,697	\$ 163,224	\$ 171,865
Contributions in Relation to the Contractually Required Contribution	<u>(273,586)</u>	<u>(273,088)</u>	<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 Payroll	\$ 910,132	\$ 754,130	\$ 896,380	\$ 926,944	\$ 900,663	\$ 857,341	\$ 787,380	\$ 789,460
Contributions as a Percentage of Covered Payroll	30.06%	36.21%	26.08%	22.20%	21.71%	20.26%	20.73%	21.77%

**Only eight 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, 2021

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's Proportion of the Net OPEB Liability - Non-hazardous	0.028081%	0.027518%	0.025269%	0.023929%
City's Proportion of the Net OPEB Liability - Hazardous	0.161737%	0.156531%	0.167252%	0.163189%
City's Proportionate Share of the Net OPEB Liability - Non-hazardous	\$ 678,071	\$ 462,840	\$ 448,628	\$ 481,055
City's Proportionate Share of the Net OPEB Liability - Hazardous	<u>1,494,620</u>	<u>1,158,110</u>	<u>1,192,646</u>	<u>1,349,037</u>
Total City's Proportionate Share of the Net OPEB Liability	<u>\$ 2,172,691</u>	<u>\$ 1,620,950</u>	<u>\$ 1,641,274</u>	<u>\$ 1,830,092</u>
City's Covered Payroll	\$ 1,461,952	\$ 1,588,498	\$ 1,567,093	\$ 1,486,245
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	148.62%	102.04%	104.73%	123.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-hazardous	51.67%	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	58.84%	64.44%	64.24%	58.99%

**Only four 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, 2021

County Employees Retirement System
Last 10 Fiscal Years*

<u>Non-hazardous</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 33,471	\$ 33,692	\$ 36,406	\$ 30,087
Contributions in Relation to the Contractually Required Contribution	<u>(33,471)</u>	<u>(33,692)</u>	<u>(36,406)</u>	<u>(30,087)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 703,165	\$ 707,822	\$ 692,118	\$ 640,149
Contributions as a Percentage of Covered Payroll	4.76%	4.76%	5.26%	4.70%
<u>Hazardous</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 86,644	\$ 86,488	\$ 98,438	\$ 86,669
Contributions in Relation to the Contractually Required Contribution	<u>(86,644)</u>	<u>(86,488)</u>	<u>(98,438)</u>	<u>(86,669)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 910,132	\$ 754,130	\$ 896,380	\$ 926,944
Contributions as a Percentage of Covered Payroll	9.52%	11.47%	10.98%	9.35%

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

See accompanying notes.

SUPPLEMENTARY INFORMATION

CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
SEWER FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Items		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on Investments	\$ 3,750	\$ 3,625	\$ 3,446	\$ (179)
Assessment Revenue	<u>29,400</u>	<u>31,150</u>	<u>29,774</u>	<u>(1,376)</u>
Total Revenues	<u>33,150</u>	<u>34,775</u>	<u>33,220</u>	<u>(1,555)</u>
Expenditures				
Miscellaneous	500	500	447	53
Debt Service				
Principal	32,000	31,750	31,617	133
Interest	<u>2,350</u>	<u>2,250</u>	<u>2,238</u>	<u>12</u>
Total Expenditures	<u>34,850</u>	<u>34,500</u>	<u>34,302</u>	<u>198</u>
Change in Fund Balance	(1,700)	275	(1,082)	(1,357)
Fund Balance July 1, 2019	<u>81,787</u>	<u>81,787</u>	<u>81,787</u>	<u>-</u>
Fund Balance June 30, 2020	<u>\$ 80,087</u>	<u>\$ 82,062</u>	<u>\$ 80,705</u>	<u>\$ (1,357)</u>

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, 2021, 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 21, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. However, material weaknesses may exist that have not been identified.

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 21, 2021