

CITY OF FALMOUTH, KENTUCKY

June 30, 2019

AUDITED FINANCIAL STATEMENTS



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITOR

City of Falmouth, Kentucky
230 Main Street
Falmouth, KY 41040

To the City Commission

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary schedules, pension schedules, and OPEB schedules as listed in the table of contents, 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 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the schedules of fund activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of fund activity are 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 November 21, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 21, 2019

As financial management of the City of Falmouth, Kentucky, (City) we offer readers of these financial statements this narrative overview and analysis of the financial activities of the for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights:

- The assets of the City exceeded liabilities at June 30, 2019, by \$8,625,061.
- At June 30, 2019, the governmental funds reported combined fund balances of \$155,950.

Overview of the Financial Statements:

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

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.

- The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets 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 a government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of 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 period.
- Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City's governmental activities include police, contracted fire protection, streets, sanitation, and general government. The City has one business-type activity, water and sewer service.

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, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, 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. This information is useful in evaluating the City'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 for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Municipal Road Aid funds.
- The City adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds is included in the Audit Report.
- The basic governmental fund financial statements are included in this report.

Proprietary Fund:

Proprietary funds provide the same type of information as the government-wide financial statements' business-type activities, only in more detail. The City maintains one proprietary fund to account for its water and sewer services.

- The basic proprietary fund financial statements are included in this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning funding progress for the City's employee pension obligation.

Government-wide Financial Analysis:

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City net position reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, 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.

The increase or decrease reported in the business-type activities cannot be used to make up a difference reported in governmental activities. The City generally can only use the net position to finance the continuing operations of the water and sewer operations.

Following is a summary statement of net position as of June 30, 2019:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets	591,922	1,136,675	1,728,597
Capital assets, net	3,125,379	8,478,706	11,604,085
Total assets	<u>4,309,223</u>	<u>10,752,056</u>	<u>15,061,279</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	600,477	362,283	962,760
Deferred outflows related to OPEB	93,341	116,192	209,533
Total assets and deferred outflows of resources	<u>4,411,119</u>	<u>10,093,856</u>	<u>14,504,975</u>
Liabilities:			
Current liabilities	416,259	303,820	720,079
Net pension liability	704,263	1,181,712	1,885,975
Net OPEB Liability	206,072	345,324	551,396
Long-term liabilities	194,447	2,004,937	2,199,384
Total liabilities	<u>1,521,041</u>	<u>3,835,793</u>	<u>5,356,834</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	330,229	87,626	417,855
Deferred inflows related to OPEB	39,708	65,517	105,225
Total liabilities and deferred inflows of resources	<u>1,890,978</u>	<u>3,988,936</u>	<u>5,879,914</u>
Net position:			
Net investment in capital assets	3,075,332	6,686,059	9,761,391
Restricted	194,046	106,896	300,942
Unrestricted	(749,237)	(688,035)	(1,437,272)
Total net position	<u>\$ 2,520,141</u>	<u>\$ 6,104,920</u>	<u>\$ 8,625,061</u>

Revenues for the City are generated from three main sources: property taxes, insurance premium taxes, and other taxes

Financial Analysis of the Government's Funds:

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. 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 financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the primary operating fund of the City. During the year expenditures exceeded revenues in the general fund by \$108,636.

The table below illustrates the breakdown of program costs in compliance with GASB 34:

	<u>2019</u>	<u>2018</u>
Mayor and council	\$ 197,789	\$ 226,207
Public safety -police	662,263	593,314
Public safety - fire	173,259	148,661
Streets	4,290	8,470
Debt service	38,016	60,238
Interest	<u>3,803</u>	<u>10,105</u>
Total expenditures	<u>\$ 1,079,420</u>	<u>\$ 1,046,995</u>

Financial Analysis of the Proprietary Funds:

The City's only proprietary fund is the water and sewer fund. This fund provides the same information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund is \$6,104,920 as of June 30, 2019.

Capital Asset Administration:

The City's investment in capital assets includes land, buildings and improvements, equipment, water systems, sewer systems, streets, electric systems, and other infrastructure. This investment in capital assets as of June 30, 2018, was \$11,604,085 (net of accumulated depreciation).

Additional information on capital assets can be found in Note 2 in the Notes to Financial Statements.

Debt Administration:

The City had total outstanding debt of \$2,160,632 at June 30, 2019.

Additional information on capital assets can be found in Note 3 in the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City Clerk, 230 Main Street, Falmouth, KY 41062

City of Falmouth, Kentucky
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 484,103	\$ 465,724	\$ 949,827
Receivables	102,867	283,274	386,141
Intergovernmental receivables	4,952		4,952
Due from other funds		387,677	387,677
Capital assets, net	3,125,379	8,478,706	11,604,085
Total assets	3,717,301	9,615,381	13,332,682
Deferred outflows of resources:			
Deferred outflows related to pensions	600,477	362,283	962,760
Deferred outflows related to OPEB	93,341	116,192	209,533
Total assets and deferred outflows of resources	4,411,119	10,093,856	14,504,975
Liabilities:			
Accounts payable	13,625	151,748	165,373
Accrued expenses	14,957	10,981	25,938
Accrued wages and benefits		18,505	18,505
Customer deposits		122,586	122,586
Due to other funds	387,677		387,677
Net pension liability	704,263	1,181,712	1,885,975
Net OPEB liability	206,072	345,324	551,396
Long-term liabilities:			
Due within one year	134,151	183,787	317,938
Due in more than one year	50,047	1,792,647	1,842,694
Compensated absences	10,249	28,503	38,752
Total liabilities	1,521,041	3,835,793	5,356,834
Deferred inflows of resources:			
Deferred inflows related to pensions	330,229	87,626	417,855
Deferred inflows related to OPEB	39,708	65,517	105,225
Total liabilities and deferred inflows of resources	1,890,978	3,988,936	5,879,914
Net position:			
Net investment in capital assets	3,075,332	6,686,059	9,761,391
Restricted	194,046	106,896	300,942
Unrestricted	(749,237)	(688,035)	(1,437,272)
Total net position	\$ 2,520,141	\$ 6,104,920	\$ 8,625,061

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

City of Falmouth, Kentucky
Statement of Activities
Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 231,364	\$ 0	\$ 37,165	\$ 0	\$ (194,199)	\$ 0	\$ (194,199)
Public safety - police	1,004,230		32,831		(971,399)		(971,399)
Public safety - fire	170,089	73,200	10,500		(86,389)		(86,389)
Public works	45,649				(45,649)		(45,649)
Interest	3,164				(3,164)		(3,164)
Total governmental activities	<u>1,454,496</u>	<u>73,200</u>	<u>80,496</u>	<u>0</u>	<u>(1,300,800)</u>	<u>0</u>	<u>(1,300,800)</u>
Business-type activities:							
Electric	1,726,210	2,085,973				359,763	359,763
Water	533,670	796,659				262,989	262,989
Sewer	580,212	455,607				(124,605)	(124,605)
Garbage	167,691	200,124				32,433	32,433
Unallocated	299,735					(299,735)	(299,735)
Total business-type activities	<u>3,307,518</u>	<u>3,538,363</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>230,845</u>	<u>230,845</u>
Total city	<u>\$ 4,762,014</u>	<u>\$ 3,611,563</u>	<u>\$ 80,496</u>	<u>\$ 0</u>	<u>(1,300,800)</u>	<u>230,845</u>	<u>(1,069,955)</u>
		General revenues:					
					412,981		412,981
					291,154		291,154
					143,449		143,449
					11,600		11,600
					12,550	84,703	97,253
					12,536		12,536
					<u>884,270</u>	<u>84,703</u>	<u>968,973</u>
					(416,530)	315,548	(100,982)
					212,107	0	212,107
					<u>2,724,564</u>	<u>5,789,373</u>	<u>8,513,937</u>
					<u>\$ 2,520,141</u>	<u>\$ 6,104,921</u>	<u>\$ 8,625,062</u>

City of Falmouth, Kentucky
 Balance Sheet
 Governmental Funds
 June 30, 2019

	General Fund	Municipal Road Aid Fund	ABC 2% Fund	LGEA Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 205,782	\$ 125,134	\$ 97,909	\$ 55,278	\$ 484,103
Receivables:					
Taxes	93,512				93,512
Accounts	9,355				9,355
Intergovernmental	4,952				4,952
Interfund receivable	-			29,533	29,533
Total assets	\$ 313,601	\$ 125,134	\$ 97,909	\$ 84,811	\$ 621,455
Liabilities:					
Accounts payable	\$ 13,625	\$	\$	\$	\$ 13,625
Accrued liabilities	14,956				14,956
Due to other funds	401,311	15,899			417,210
Total liabilities	429,892	15,899	0	0	445,791
Deferred inflows of resources					
Unavailable revenue	19,714	0	0	0	19,714
Fund balances:					
Nonspendable					0
Restricted		109,235		84,811	194,046
Committed					0
Assigned					0
Unassigned	(136,005)		97,909		(38,096)
Total fund balances	(136,005)	109,235	97,909	84,811	155,950
Total liabilities and fund balance	\$ 313,601	\$ 125,134	\$ 97,909	\$ 84,811	\$ 621,455

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

City of Falmouth, Kentucky
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2019

Total governmental fund balances \$ 155,950

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,125,379

Some assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds 19,714

Deferred outflows and inflow or resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the funds:

Deferred outflows related to pensions	600,477
Deferred outflows related to OPEB	93,341
Deferred inflows related to pensions	(330,229)
Deferred inflows related to OPEB	(39,708)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Long-term debt	(184,198)
Net pension liability	(704,263)
Net OPEB liability	(206,072)
Compensated absences	(10,249)

Net position of governmental activities \$ 2,520,142

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

City of Falmouth, Kentucky
Statement of Revenues, Expenditure, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General Fund	Municipal Road Aid Fund	ABC 2% Fund	LGEA Fund	Total Governmental Funds
Revenues:					
Property tax	\$ 377,384	\$	\$	\$	\$ 377,384
Insurance premium tax	291,155				291,155
Other tax	108,533		\$ 34,916		143,449
Licenses and permits	11,600				11,600
Charges for services	63,845				63,845
Intergovernmental	43,331	25,239		37,165	105,735
Rental revenue	6,429				6,429
Other	6,120				6,120
Total revenues	908,397	25,239	34,916	37,165	1,005,717
Expenditures:					
Current					
Mayor and council	163,653			34,136	197,789
Public safety -police	661,654		609		662,263
Public safety - fire	173,259				173,259
Public works		4,290			4,290
Debt service - principal	27,200		10,816		38,016
Debt service - interest	3,803				3,803
Total expenditures	1,029,569	4,290	11,425	34,136	1,079,420
Net change in fund balances	(121,172)	20,949	23,491	3,029	(73,703)
Other financing sources (uses):					
Sale of assets	12,536				12,536
Total other financing sources (uses)	12,536	0	0	0	12,536
Net change in fund balances	(108,636)	20,949	23,491	3,029	(61,167)
Prior period adjustment	212,107	0	0	0	212,107
Beginning fund balances	(239,476)	88,286	74,418	81,782	5,010
Ending fund balances	\$ (136,005)	\$ 109,235	\$ 97,909	\$ 84,811	\$ 155,950

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

City of Falmouth, Kentucky
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ (61,167)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

reported as depreciation expense in the statement of activities	
Capital asset additions	5,000
Depreciation expense	(105,896)

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds	19,714
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Governmental funds report pension contributions as expenditures; however, in the statement of activities the cost of pension and OPEB benefits earned are reported as an expense.

Pension and OPEB expense	(318,553)
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Expenses reported in the statement of activities that do not require current financial resources are not reported as expenditures in the funds

Compensated absences	(5,770)
Principal payments	50,142

Change in net position of governmental activities	<u>\$ (416,530)</u>
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The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky
Statement of Net Position
Proprietary Fund
June 30, 2019

	<u>Utility Fund</u>
Assets:	
Current assets:	
Cash	\$ 465,724
Customer receivables	283,274
Due from other funds	<u>387,677</u>
Total current assets	<u>1,136,675</u>
Noncurrent assets:	
Depreciable capital assets	<u>8,478,706</u>
Total noncurrent assets	<u>8,478,706</u>
Total assets	9,615,381
Deferred outflows of resources:	
Deferred outflows related to pensions	362,283
Deferred outflows related to OPEB	<u>116,192</u>
Total assets and deferred outflows of resources	<u>\$ 10,093,856</u>
Liabilities:	
Accounts payable	\$ 151,748
Accrued expenses	10,981
Payroll and related expenses	18,505
Interest payable	0
Customer deposits	122,586
Compensated absences	28,503
Net pension liability	1,181,712
Net OPEB liability	345,324
Long-term liabilities:	
Due within one year	0
Due in more than one year	<u>1,976,434</u>
Total liabilities	3,835,793
Deferred inflows of resources:	
Deferred inflows related to pensions	87,626
Deferred inflows related to OPEB	<u>65,517</u>
Total liabilities and deferred inflows of resources	<u>3,988,936</u>
Net position:	
Net investment in capital assets	6,502,272
Restricted	106,896
Unrestricted	<u>(504,248)</u>
Total net position	<u>6,104,920</u>
Total liabilities and net position	<u>\$ 10,093,856</u>

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

City of Falmouth, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2019

Operating revenues	\$ 3,623,066
Operating expenses	
Salaries and wages	576,399
Other employee expenses	384,489
Purchases	1,835,310
Operating expenses	<u>619,151</u>
Total operating expenses	<u>3,415,349</u>
Operating income	207,717
Non-operating income (expense)	
Depreciation	(287,369)
Interest expense	(25,357)
Net change in pension expense	254,349
Net change in OPEB expense	<u>166,207</u>
Total non-operating income (expense)	<u>107,830</u>
Change in net position	315,547
Net position - beginning	<u>5,789,373</u>
Net position - ending	<u><u>\$ 6,104,920</u></u>

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

City of Falmouth, Kentucky
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

Cash flows from operating activities	
Receipts from customers	\$ 3,644,177
Payments to suppliers and service proviers	(2,266,682)
Payments to employees for salaries and benefits	<u>(1,111,195)</u>
Net cash provided by operating activities	<u>266,300</u>
Cash flows from capital and related financing activities	
Acquistion of property	(296,218)
Principal payments on bonds	(181,962)
Interest payments on bonds	<u>(25,357)</u>
Net cash provided by operating activities	<u>(503,537)</u>
Net increase in cash and cash equivalents	(237,237)
Cash and cash equivalents, beginning of year	<u>702,961</u>
Cash and cash equivalents, end of year	<u>\$ 465,724</u>

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

Note 1 - Summary of Significant Accounting Policies

These financial statements of the City of Falmouth, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The City operates under a Mayor-Council form of government consisting of the mayor and six city council members. The City's major operations include fire and police protection, street maintenance, and general administrative services. In addition, the City operates a water and sewer system, and electric system, and provides solid waste collection.

The financial statements of the City include the funds for which the Mayor and Council are financially accountable. Financial accountability, as defined by Section 2100 of the Government Account Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, participate in fiscal management, and the scope of public service. The City has no component units or entities for which the government is considered to be financially accountable.

Basis of Accounting/Masurement Focus/Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in two (2) categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made as prescribed as GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all GASB Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City Applies all applicable FASB Statements and Interpretations issued after November 30th, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major Governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending of “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. (See Note D) Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification: The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Receivables as being Non-spendable.
- Restricted: This classifications includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors,

contributors, or laws of regulations of other governments, of (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2017.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. No funds have been assigned as of June 30, 2017.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are reported as non-operating expenses.

Component Units and Fiduciary Activities

There are no government component units incorporated in the basic government-wide financial statements. A component unit is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of Government Standards Accounting Board Statement No. 14.

There are no fiduciary activities incorporated in the financial statements.

Budgetary Information, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with Section 91 A.030 of Kentucky Revised Statutes (KRS) for the general, enterprise fund, and the special revenue fund. Budgets for all government activities and business-type activities and adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

On or before June 30th of each year, the Mayor must present the proposed budget to the City's Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than July 1st of the new fiscal year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted as the object level. Transfers of appropriations between departments require the approval of the governing Commission. The legal level of budgetary control is the governing Commission. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

Encumbrance Accounting

Encumbrance accounting is a system under which purchase orders, contracts and other commitments for the expenditures of City monies are recorded as a reservation of budget. The City does not use the encumbrance system of accounting to record and track budgeted expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Investments

Kentucky Revised Statutes authorize the City to invest in obligations of the U.S Treasury, agencies, and instrumentalities; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances, repurchase agreements; and the state treasurer's investment pool.

Accounts Receivable

Amounts due from private individuals, business, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Water and Sewer Utilities System enterprise funds.

Interfund Transactions

Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Restricted Assets

The use of certain assets of general governmental funds and business-type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as non-current if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. In connection with implementation of GASB Statement No. 34, the City established a threshold of \$1,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects as constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

Impairment Loss

General Government Activities and Business-type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer of service for City use.

Operating and Non-Operating Revenues and Expenses

The business-type propriety fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from operating revenues are charges for water and wastewater treatment services of the City’s utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Compensated Absences

It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The valuation of accrued leave benefits calculated in accordance with GASB Statement No. 16, *Accounting for compensated absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee’s regular salaries and fringe benefits.

Net Position - Reserves and Designations

At June 30, 2019, net position of the primary government consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets	\$ 3,125,379	\$ 6,686,059
Restricted	194,046	106,896
Unrestricted	(799,924)	(688,035)
Total net position	\$ 2,519,501	\$ 6,104,920

None of the net position is restricted by enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes Receivable, Property Tax Calendar and Provision for Uncollectable Real Property Taxes

Property tax (real property) rolls are prepared by the Pendleton County Property Tax Assessors offices on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statues. The due date collection for all taxes exclusive of vehicle taxes are as follows:

Description	Date per KRS 134.015
Due date for payment	Upon receipt
2% Discount	To November 15
Face value payment period	To December 31
Past due date, 10% penalty	January 1
Interest charges	1.0% per month effective January 1

Vehicle taxes are collected by the County Clerk of Pendleton County. Vehicle taxes are due in the birth month of the licensee.

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Note 2 - Capital Assets

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

Governmental Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets :				
Land	\$ 638,514	\$	\$	\$ 638,514
Buildings	1,540,663	5,000		1,545,663
Improvements/infrastructure	1,773,405			1,773,405
Equipment	195,732			195,732
Parks	200,781			200,781
Vehicles	1,025,080			1,025,080
Total capital assets	5,374,175	5,000	0	5,379,175
Less accumulated depreciation for:				
Buildings	586,112	31,188		617,300
Improvements/infrastructure	845,839	30,629		876,468
Equipment	184,086	2,719		186,805
Parks	72,768	5,571		78,339
Vehicles	459,096	35,788		494,884
Total accumulated depreciation	2,147,901	105,895	0	2,253,796
Governmental activities capital assets, net	\$ 3,226,274	\$ (100,895)	\$ 0	\$ 3,125,379

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CITY OF FALMOUTH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Business-type activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets:				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Buildings and improvements	348,569			348,569
Water and sewer system	14,017,854	61,878		14,079,732
Electric system	920,191	113,841		1,034,032
Vehicles	501,199	120,499		621,698
Equipment	233,281			233,281
Total capital assets	16,051,094	296,218	0	16,347,312
Less accumulated depreciation for:				
Buildings and improvements	359,042	(11,205)		347,837
Water and sewer system	5,737,521	271,013		6,008,534
Electric system	774,588	15,633		790,221
Vehicles	484,697	10,349		495,046
Equipment	225,390	1,578		226,968
Total accumulated depreciation	7,581,238	287,368	0	7,868,606
Business-type activities capital assets, net	\$ 8,469,856	\$ 8,850	\$ 0	\$ 8,478,706

During the fiscal year ending June 30, 2019 depreciation expense was charged to the funds as follows:

Governmental activities:

General government	\$ 33,575
Public safety - police	11,828
Public safety - fire	19,133
Streets	41,359
	<u>\$ 105,895</u>

Business-type activities:

Electric	\$ 19,408
Water	97,512
Sewer	174,051
Garbage	6,025
Unallocated	(9,628)
	<u>\$ 287,368</u>

Depreciation is computed using the straight-line method. The estimated service life of each class of capital asset is based upon guidelines established by the Internal Revenue Service. Donated capital assets are recorded at estimated fair value at the date of donation.

Note 3 - Long Term Debt

Changes in the City's long-term liabilities for the year ended June 30, 2019 are as follows:

	Balance <u>6/30/2018</u>	Additions	Retirements	Balance <u>6/30/2019</u>	Due Within One Year
Compensated absences	\$ 4,480	\$ 5,769		\$ 10,249	\$ -
Fire truck lease	95,701		(22,303)	73,398	23,351
Klee farm	138,500		(27,700)	110,800	110,800
Total governmental activities	<u>\$ 238,681</u>	<u>\$ 5,769</u>	<u>\$ (50,003)</u>	<u>\$ 194,447</u>	<u>\$ 134,151</u>
Compensated absences	\$ 22,199	\$ 6,303	\$ -	\$ 28,502	
KIA A07-02	1,547,856		(140,529)	1,407,327	141,938
KIA A0209-39	189,977		(14,341)	175,636	14,485
KIA B09-03	420,563		(27,092)	393,471	27,364
Total business-type activities	<u>\$ 2,180,595</u>	<u>\$ 6,303</u>	<u>\$ (181,962)</u>	<u>\$ 2,004,936</u>	<u>\$ 183,787</u>

Governmental Activities

Fire Truck Capital Lease

Capital lease for the purchase of a fire truck financed for \$210,000. This lease is secured by the vehicle, carries an interest rate of 4.70%, and requires an annual payment of \$26,801 each July. Final payment is due July 2021.

Klee Farm Capital Lease

Capital lease for the purchase of property. This lease is secured by the property, carries an interest rate of 2.65%, and requires an annual principal payment each November and semi-annual interest payments each May and November. Final payment is due November 2019.

The following is a schedule of future debt service requirements to maturity for governmental activities at June 30, 2018:

	Fire Truck Lease		Klee Farm Lease	
	Principal	Interest	Principal	Interest
2020	\$ 23,351	\$ 3,550	\$ 110,800	\$ 1,468
2021	24,450	2,352		
2022	25,597	1,203		
	\$ 73,398	\$ 7,105	\$ 110,800	\$ 1,468
Total Governmental				
	Principal	Interest		
2019	\$ 134,151	\$ 5,018		
2021	24,450	2,352		
2022	25,597	1,203		
	\$ 184,198	\$ 8,573		

Business-type Activities

The City has the following long-term debt payable to the Kentucky Infrastructure Authority in connect with the water and sewer systems. Revenues from the system are pledged to meet debt service requirements.

KIA Loan	Date Issued	Interest Rate	Maturity Date	Semi-Annual Payments	Balance June 30, 2019
A07-02	2/1/2008	1.00%	12/1/2028	\$ 77,829	\$ 1,407,327
A209-39	1/1/2010	1.00%	12/1/1930	\$ 8,103	175,636
B09-03	10/1/2011	1.00%	12/1/1932	\$ 31,230	393,471
					\$ 1,976,434

The following is a schedule of future debt service requirements to maturity for business-type activities at June 30, 2018:

	KIA Loan A07-02		KIA Loan A209-39	
	Principal	Interest	Principal	Interest
2020	\$ 141,938	\$ 13,719	\$ 14,486	\$ 1,720
2021	143,361	12,296	14,631	1,575
2022	144,798	10,859	14,777	1,428
2023	146,250	9,408	14,926	1,280
2024	147,716	7,941	15,075	1,131
2025 - 2029	683,264	17,195	77,673	3,355
2030 - 2034	0	0	24,068	241
	<u>\$ 1,407,327</u>	<u>\$ 71,418</u>	<u>\$ 175,636</u>	<u>\$ 10,730</u>

	KIA Loan B09-03		Total Business-Type	
	Principal	Interest	Principal	Interest
2020	\$ 27,364	\$ 4,639	\$ 183,788	\$ 20,078
2021	27,638	4,309	185,630	18,180
2022	27,914	3,976	187,489	16,263
2023	28,194	3,640	189,370	14,328
2024	28,477	3,302	191,268	12,374
2025 - 2029	146,728	11,305	907,665	31,855
2030 - 2034	107,156	2,584	131,224	2,825
	<u>\$ 393,471</u>	<u>\$ 33,755</u>	<u>\$ 1,976,434</u>	<u>\$ 115,903</u>

Note 4 - Risk Management

The City is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, natural disasters. In order to minimize its loss due to these various risks, the City has insurance with the Kentucky League of Cities Insurance Services for general liability insurance, property insurance and commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

Note 5 - Related Parties Transactions

In a governmental entity, related parties include members of the governing body (city commissioners, etc.). Board members, administrative officials (mayor, city clerk, etc.), immediate family members of the preceding individuals, and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as water sewer systems. There are no related party transactions to be disclosed.

Note 6 - Economic Dependency

The City is not economically dependent on one or more major taxpayers or suppliers.

Note 7 - Pending Litigation

The City is a defendant in various lawsuits in the normal course of business. According to legal counsel, the outcome of the lawsuits is not determinable.

NOTE 8 – Retirement Plans

The City is a participating employer of the County Employees’ Retirement System (CERS) or (Plan). Under provision of Kentucky Revised Statute 61.645, the Board of Trustees of the Kentucky Retirement System administers the CERS. The Kentucky Retirement System issues a publicly available financial reports that may be downloaded from their website.

Plan description – CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is divided into a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB) and each plan is further divided based on Nonhazardous duty and Hazardous duty covered employee classifications.

Contributions –

Employees - For the year ended June 30, 2019 nonhazardous covered employees are required to contribute 5% of wages and hazardous covered employees are required to contribute 8% of wages to the plan. Employees who begin participation on or after September 1, 2008 are required to contribute an additional 1%.

Employers - For the year ended June 30, 2019 participating employers contributed 21.48% of wages for nonhazardous covered employees, of which 16.22% was for the Pension Plan and 5.26% was for the Health Insurance Fund Plan. Employers contributed 35.34% of wages for hazardous covered employees of which 24.86% was for the Pension Plan and 10.47% was for the Health Insurance Fund Plan. The City made all required contributions for fiscal year in the amount of \$495,059 of which \$366,314 was for the Pension Plan and \$128,745 was for the Health Insurance Fund Plan.

Benefits provided—CERS provides retirement, health insurance, death, and disability benefits to employees and beneficiaries. Employees are vested in the plan after five years of service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or

25 years service and any age

Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or Age 57+ with sum of service years plus age equal 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or Age 57+ with sum of service years plus age equal 87+
	Reduced retirement	Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

	<u>Non hazardous</u>	<u>Hazardous</u>	<u>Total Net Pension Liability</u>
	\$ 1,781,353	\$ 104,622	\$ 1,885,975

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was:

	<u>Non hazardous</u>	<u>Hazardous</u>	<u>Proportionate Share</u>
	0.029%	0.004%	0.023%

For the year ended June 30, 2019, the City recognized pension expense of \$86,832. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Nonhazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 58,103	\$ 26,075	
Change of assumptions	174,090		
Change in investment experience	82,834	104,194	
Change in proportionate share of contributions	86,002	1,821	
	<u>401,029</u>	<u>\$ 132,090</u>	<u>\$ 268,939</u>
Subsequent contributions	<u>145,089</u>		
Total	<u>\$ 546,118</u>		

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 8,326		
Change of assumptions	11,137		
Change in investment experience	3,878	5,058	
Change in proportionate share of contributions	51,591	104,450	
	<u>74,932</u>	<u>\$ 109,508</u>	<u>\$ (34,576)</u>
Subsequent contributions	<u>13,349</u>		
Total	<u>\$ 88,281</u>		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 66,429	\$ 26,075	
Change of assumptions	185,227	-	
Change in investment experience	86,712	109,252	
Change in proportionate share of contributions	137,593	106,271	
	<u>475,961</u>	<u>\$ 241,598</u>	<u>\$ 234,363</u>
Subsequent contributions	<u>158,438</u>		
Total	<u>\$ 634,399</u>		

The contributions subsequent to the measurement date of \$158,438 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The net deferral of \$234,363 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2020	\$ 134,454
2021	110,565
2022	(623)
2023	<u>(10,033)</u>
	<u>\$ 234,363</u>

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

Valuation date	June 30, 2016
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected value of assets recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50% for CERS

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best- estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	17.50%	4.73%
Non US Equity	17.50%	6.71%
Global Bonds	10.00%	3.00%
Credit Fixed	17.00%	4.59%
Private Equity	10.00%	6.50%
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
	100.00%	5.13%

Discount rate—The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rate of 6.25%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non hazardous	\$ 2,242,539	\$ 1,781,353	\$ 1,394,960
Hazardous	\$ 131,085	104,622	\$ 82,746
	\$ 2,373,624	\$ 1,885,975	\$ 1,477,706

NOTE 9 – Post Employment Benefits Other Than Pensions (OPEB)

Plan Description – As more fully described in Note 8, the City participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer’s contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% for hazardous classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

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

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

Non hazardous	Hazardous	Total Net OPEB Liability
\$ 520,553	\$ 30,843	\$ 551,396

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on a projection of the City’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City’s proportionate share at June 30, 2018 was as follows:

Non hazardous	Hazardous	Proportionate Share
0.029%	0.004%	0.022%

For the year ended June 30, 2019, the City recognized OPEB expense of \$276,997. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Nonhazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 60,664	
Change of assumptions	103,962	1,203	
Change in investment experience		35,856	
Change in proportionate share of contributions	24,140	1,039	
	128,102	\$ 98,762	\$ 29,340
Subsequent contributions	47,050		
Total	\$ 175,152		

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 3,447	
Change of assumptions	9,465	84	
Change in investment experience		2,932	
Change in proportionate share of contributions	19,294	-	
	28,759	\$ 6,463	\$ 22,296
Subsequent contributions	5,622		
Total	\$ 34,381		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 64,111	
Change of assumptions	113,427	1,287	
Change in investment experience	-	38,788	
Change in proportionate share of contributions	43,434	1,039	
	156,861	\$ 105,225	\$ 51,636
Subsequent contributions	52,672		
Total	\$ 209,533		

-

The amount of deferred inflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30	Net Deferral
2020	\$ 13,452
2021	13,452
2022	11,748
2023	15,268
2024	(221)
Thereafter	(2,063)
	\$ 51,636

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

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected value of assets recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50%
Mortality	RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Healthcare trend (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

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

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

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	26.50%	9.56%
Non US Equity	26.50%	2.84%
Fixed income	12.00%	6.53%
Real return	8.00%	3.68%
Real estate	5.00%	8.99%
Absolute Return	10.00%	3.89%
Private equity	10.00%	9.74%
Cash	2.00%	2.69%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 4.85. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s Proportionate Share of the Net OPEB Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 4.85%	Current Rate 5.85%	1% Increase 6.85%
Non hazardous	\$ 676,115	\$ 520,553	\$ 388,043
	1% Decrease 4.97%	Current Rate 5.97%	1% Increase 6.97%
Hazardous	42,873	30,843	21,212
Total	<u>\$ 718,988</u>	<u>\$ 551,396</u>	<u>\$ 409,255</u>

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

	1% Decrease	Current Trend Rate	1% Increase
Non hazardous	\$ 387,557	\$ 520,553	\$ 677,317
Hazardous	21,005	30,843	43,027
Total	\$ 408,562	\$ 551,396	\$ 720,344

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

Note 11- Date of Management’s Review

Subsequent events were evaluated through November 21, 2019 which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure in the financial statements.

City of Falmouth, Kentucky
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property taxes	\$ 420,000	\$ 420,000	\$ 396,010	\$ (23,990)
Insurance premium tax	270,000	270,000	275,955	5,955
Other taxes	96,300	96,300	106,167	9,867
Licenses and permits	19,000	19,000	11,600	(7,400)
Charges for services	61,500	61,500	67,670	6,170
Intergovernmental	32,000	32,000	41,905	9,905
Rental revenue	16,304	16,304	6,429	(9,875)
Other	31,750	31,750	6,120	(25,630)
Sale of property	47,000	47,000	12,536	(34,464)
Total revenues	<u>993,854</u>	<u>993,854</u>	<u>924,392</u>	<u>(69,462)</u>
Expenditures				
General government	236,426	236,426	162,650	73,776
Public safety - police	680,825	680,825	653,594	27,231
Public safety - fire	201,762	201,762	169,048	32,714
Debt service			31,003	(31,003)
Total expenditures	<u>1,119,013</u>	<u>1,119,013</u>	<u>1,016,295</u>	<u>133,721</u>
Net change in fund balance	(125,159)	(125,159)	(91,903)	33,256
Fund balance - beginning	<u>(388,579)</u>	<u>(388,579)</u>	<u>(168,622)</u>	<u>219,957</u>
Fund balance - ending	<u>\$ (513,738)</u>	<u>\$ (513,738)</u>	<u>\$ (260,525)</u>	<u>\$ 253,213</u>

City of Falmouth, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
 Non-Hazardous

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.029%	0.275%	0.276%	0.227%	0.211%
City's proportionate share of the net pension liability	\$ 1,781,353	\$ 1,607,435	\$ 1,359,102	\$ 723,910	\$ 692,211
City's covered employee payroll	\$ 894,507	\$ 427,987	\$ 470,739	\$ 471,319	\$ 441,703
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.14%	375.58%	288.72%	153.59%	156.71%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	55.50%	53.32%	59.97%	66.80%

Schedule of City Contributions
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 145,089	\$ 82,088	\$ 87,934	\$ 80,407	\$ 78,049
Actual contribution	145,089	82,088	87,934	80,407	78,049
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered employee payroll	<u>\$ 894,507</u>	<u>\$ 427,987</u>	<u>\$ 470,739</u>	<u>\$ 471,319</u>	<u>\$ 441,703</u>
Contributions as a percentage of covered-employee payroll	16.22%	19.18%	18.68%	17.06%	17.67%

City of Falmouth, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
 Hazardous

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.004%	0.000%	0.657%	0.227%	0.576%
City's proportionate share of the net pension liability	\$ -	\$ -	\$ 112,768	\$ 957,661	\$ 692,211
City's covered employee payroll	\$ 53,697	\$ 197,550	\$ 116,497	\$ 130,501	\$ 160,912
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	96.80%	733.84%	430.18%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	53.95%	53.32%	59.97%	66.80%

Schedule of City Contributions
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 13,349	\$ 62,327	\$ 36,184	\$ 43,000	\$ 55,209
Actual contribution	13,349	62,327	36,184	43,000	55,209
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	<u>\$ 53,697</u>	<u>\$ 197,550</u>	<u>\$ 116,497</u>	<u>\$ 130,501</u>	<u>\$ 160,912</u>
Contributions as a percentage of covered-employee payroll	24.86%	31.55%	31.06%	32.95%	34.31%

City of Falmouth, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure
 Non-Hazardous
 Year Ended June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.029%				
Proportionate share of the net pension liability	\$ 520,533				
Covered employee payroll	\$ 894,487				
Share of the net pension liability as a percentage of its covered payroll	58.19%				
Plan fiduciary net position as a percentage of the total pension liability	57.62%				

Schedule of City Contributions
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 47,050				
Actual contribution	<u>47,050</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 894,487				
Contributions as a percentage of employee payroll	5.26%				

City of Falmouth, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure
 Hazardous
 Year Ended June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.004%				
Proportionate share of the net pension liability	\$ 30,843				
Covered employee payroll	\$ 53,696				
Share of the net pension liability as a percentage of its covered payroll	57.44%				
Plan fiduciary net position as a percentage of the total pension liability	64.24%				

Schedule of City Contributions
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,622				
Actual contribution	<u>5,622</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 53,696				
Contributions as a percentage of employee payroll	10.47%				

City of Falmouth, Kentucky
 Schedule of Water and Sewer Fund Activity
 Year Ended June 30, 2019

	Electric	Water	Sewer	Waste Collection	Unallocated	Total
Charges for services	\$2,085,973	\$ 796,659	\$ 455,607	\$ 200,124	\$ 84,703	\$ 3,623,066
Salaries and benefits	81,971	293,764	281,032	88,328	215,793	960,888
Purchases	1,600,317	128,696	70,822	35,474		1,835,309
Operating expenses	37,580	149,779	234,469	26,256	13,676	461,760
Total operating expenses	<u>1,719,868</u>	<u>572,239</u>	<u>586,323</u>	<u>150,058</u>	<u>229,469</u>	<u>3,257,957</u>
Operating income	<u>366,105</u>	<u>224,420</u>	<u>(130,716)</u>	<u>50,066</u>	<u>(144,766)</u>	<u>365,109</u>
Allocated expenses	28,943	40,590	45,254	32,775	9,830	157,392
Depreciation	19,408	97,512	174,051	6,025	(9,627)	287,369
Interest			25,357			25,357
Change in pension liability					(254,349)	(254,349)
Change in OPEB liability					(166,207)	(166,207)
Total other expenses	<u>48,351</u>	<u>138,102</u>	<u>244,662</u>	<u>38,800</u>	<u>(420,353)</u>	<u>49,562</u>
Net income (loss)	<u>\$ 317,754</u>	<u>\$ 86,318</u>	<u>\$ (375,378)</u>	<u>\$ 11,266</u>	<u>\$ 275,587</u>	<u>\$ 315,547</u>



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

City of Falmouth, Kentucky
230 Main Street
Falmouth, KY 41040

To the City Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Falmouth, Kentucky (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maddox & Associates CPAs, Inc.

Fort Thomas, KY
November 21, 2019