

CITY OF MURRAY, KENTUCKY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019

CITY OF MURRAY, KENTUCKY
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INTRODUCTORY SECTION

CITY OF MURRAY, KENTUCKY

June 30, 2019

CITY COUNCIL

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

ADMINISTRATIVE STAFF

Bob Rogers, Mayor
Kimberly Wyatt, Director of Finance

FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky, as of June 30, 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 on pages 3-7, the budgetary comparison information on page 51, schedules related to pensions on pages 44-47, and OPEB schedules on pages 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the City of Murray, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Murray, Kentucky's internal control over financial reporting and compliance.

ROMAINE & TOWER

Certified Public Accountants

Mayfield, Kentucky

December 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Murray's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The net position of all City activities is \$53,861,829. This represents an overall increase of \$4,329,785 (8.7%) over the prior year. A breakout shows an increase of \$4,955,196 (10.6%) in business-type activities and a decrease of \$625,411 (21.6%) in governmental activities.
- In the General Fund, revenues and other financing sources exceed expenditures and other uses by \$1,135,446, increasing the fund balance to \$7,791,138 as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds page 13.
- All four business-type activities (Water and Sewer, Natural Gas, Sanitation, and Stormwater Utility) had a combined, positive net income totaling \$4,955,196 as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances Proprietary Funds page 16.

USING THIS ANNUAL AUDIT

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

The Statement of Net Position and the Statement of Activities

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

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

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

THE CITY AS A WHOLE

Governmental Activities

- A year-over-year comparison shows General Fund revenue increased \$782,806 (7%) while total Governmental Funds revenue increased \$881,600 (6.7%).
- General Fund expenditures increased \$696,675 (6%) while total Governmental Fund expenditures increased \$433,397 (3.5%).

- Effective January 1, 2018, the City of Murray assessed a 1.0% occupational license tax (payroll tax) on all gross earnings by an employee for work performed and services rendered in the limits of the City. Receipts for the partial year of 2018 were \$2,007,656. Receipts for the full year of 2019 are \$4,134,901, resulting in occupational tax becoming the largest single revenue category for the General Fund.
- The second largest single revenue category, property taxes, decreased \$971,017 (23%) to \$3,316,483. This decrease is due to the reduction of the property tax rate from .4260 to .3100 per \$100 of assessment (27%).
- The FY2019 insurance premium tax rate was reduced from 9.5% to 8.5% resulting in a decrease of \$248,976 (11%).
- Grant receipts for the year are \$1,391,662– a 34% increase from the prior year.

Business-type Activities

Murray Water and Sewer System

- The Water and Sewer System’s total operating revenues are \$11,284,599. When compared to the total operating expenses of \$6,348,539, an operating income of \$4,936,060 exists.
- The change in net position is an increase of \$4,336,555 when non-operating expenses of \$494,505 and transfers to other funds of \$105,000 are considered.

Murray Natural Gas System

- The Gas System’s total operating revenues are \$9,092,017. When compared to the total operating expenses of \$8,791,189, operating income of \$300,828 exists.
- The change in net position is an increase of \$260,865 when non-operating revenues of \$65,037 and transfers to other funds of \$105,000 are considered.

Sanitation Department

- The City entered into an agreement with Republic Services Waste Solutions on October 1, 2016 to provide refuse collection services within the City limits. The City still owns, maintains control of, and operates the Transfer Station.
- The Sanitation Department’s total operating revenues are \$3,483,741. When compared to the total operating expenses of \$3,209,696, an operating income of \$274,045 exists.
- The change in net position is an increase of \$196,023 when non-operating revenue of \$26,978 and transfer to other funds of \$105,000 are considered.

Stormwater Utility

- The Stormwater Utility’s total operating revenues are \$240,730. When compared to the total operating expenses of \$80,744, an operating income of \$159,986 exists.
- The change in net position is an increase of \$161,753 when non-operating revenue of \$1,767 is considered.

City Pension Costs

The City of Murray participates in the State’s CERS retirement program. Under the County Employee Retirement System (CERS) plan, employee contributions are deposited into two plans- nonhazardous and hazardous. In FY15 the City implemented Government Accounting Standards Board (GASB) Statement No. 68, which requires that the City report and fully disclose its share of net pension liability. CERS has assigned to the City its proportional share of the net pension’s liability. “The net pension liability is based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.” As of June 30, 2019, the City’s proportional share of net pension liability is \$23,322,168, an increase of 4.7% (\$1,039,122) from last year. While the City reports positive balances of total net position for Governmental and Business-type Activities, disclosing the City’s net liability in the County Employee Retirement System has been a driving factor of a negative unrestricted fund balance of \$10,423,532 for governmental funds, as can be seen in the Statement of Net Position page 9.

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

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

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

Retirement Contribution Rates

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

*House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

Other Post-Employment Benefits (OPEB)

During fiscal year 2018, the City of Murray adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB). OPEB requires the City to report its proportional share of the liability for retirement benefits other than pension benefits, namely healthcare benefits. At June 30, 2019 the City's proportionate share of the net OPEB liability of the nonhazardous plan is \$2,602,570 and \$4,243,699 for the hazardous plan.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- In Governmental Activities, property, plant and equipment increased by a total cost of \$1,256,662. This consists of \$35,560 in Buildings, \$144,081 in Machinery and Equipment, and \$1,077,021 in Infrastructure. Net of depreciation, the total Net Capital Assets – Governmental increased by \$585,754.
- In the Business-type Activities, property, plant and equipment increased by a total cost of \$10,821,420. This consists of an increase of \$65,905 in Construction in Process, an increase of \$94,194 in Buildings, an increase of \$750,849 in Machinery and Equipment, an increase of \$82,760 in Drainage Improvement, and an increase of \$9,827,712 in Utility Plants. Net of depreciation, the total Net Capital Assets – Business Type increased by \$8,852,973.

Debt

- No new debt in General Governmental Activities has been issued during the fiscal year. As of June 30, 2019, the total capital debt outstanding for General Governmental Activities is \$2,751,086, which is a decrease of \$261,129 over the prior year.
- \$7,875,134 of new debt in Business-type Activities has been issued during the fiscal year for engineering, construction, and other services related to the Waste Water Treatment Plant improvements. As of June 30, 2019, the total debt outstanding for Business-Type Activities is \$58,498,731, which is an increase of \$7,724,153 over the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Preliminary data for the City in fiscal year 2020 mirrors the economic uncertainty presently experienced at the State and Federal levels. Rising personnel costs – most notably in the form of healthcare and retirement expenditures – continue to compete with spending in operational areas and on capital projects. As always, the City is constantly monitoring many factors present in today's economy and adjusting funding and expenditure measures accordingly. The City's current revenue sources appear to be adequate to provide the quality of service expected for our customers while maintaining a stable tax environment.

We will continue to optimize internal and external efficiencies wherever possible in our effort to provide the greatest benefit to our stakeholders at the lowest possible cost.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Respectfully submitted,

Kim Wyatt
Director of Finance

BASIC FINANCIAL STATEMENTS

CITY OF MURRAY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash in banks and on hand	\$ 6,623,196	\$ 17,184,450	\$ 23,807,646
Receivables (net of allowance for uncollectible)			
Taxes	162,641		162,641
Customer		1,290,967	1,290,967
Other	2,058,375	3,676	2,062,051
Internal balances	(178,354)	178,354	-
Materials and supplies, at average cost	50,266	386,878	437,144
Noncurrent assets			
Net capital assets	14,673,670	96,350,451	111,024,121
Restricted assets	1,141,804	4,733,785	5,875,589
Total assets	<u>24,531,598</u>	<u>120,128,561</u>	<u>144,660,159</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	5,066,178	1,656,105	6,722,283
Deferred outflows related to OPEB	1,917,003	572,926	2,489,929
Total deferred outflows	<u>6,983,181</u>	<u>2,229,031</u>	<u>9,212,212</u>
Liabilities			
Accounts payable	1,004,391	1,331,141	2,335,532
Accrued salaries and wages	64,938	20,556	85,494
Internal Balances	(14,550)	14,550	-
Other accrued liabilities	249,898	87,757	337,655
Customer deposits		682,440	682,440
Accrued interest payable		265,889	265,889
Noncurrent liabilities			
Net pension liability	17,075,117	6,436,033	23,511,150
Net OPEB liability	5,025,171	1,876,191	6,901,362
Due within one year	505,777	3,040,293	3,546,070
Due in more than one year:			
Accrued compensated absences	241,888	123,919	365,807
Notes payable	2,614,169	55,603,581	58,217,750
Total non-current liabilities	<u>25,462,122</u>	<u>67,080,017</u>	<u>58,583,557</u>
Total liabilities	<u>26,766,799</u>	<u>69,482,350</u>	<u>96,249,149</u>
Deferred inflows of Resources			
Deferred inflows related to pensions	1,380,370	867,406	2,247,776
Deferred inflows related to OPEB	1,102,284	411,333	1,513,617
Total deferred inflows	<u>2,482,654</u>	<u>1,278,739</u>	<u>3,761,393</u>
Net Position			
Net investment in capital assets	11,311,836	37,851,720	49,163,556
Restricted for			
CDBG housing	65,268		65,268
Special purposes	808,704		808,704
Employee benefits	503,050		503,050
Debt service		2,979,705	2,979,705
Renewal and replacement		557,220	557,220
Landfill post closure reserve		354,852	354,852
Unrestricted	(10,423,532)	9,853,006	(570,526)
Total net position	<u>\$ 2,265,326</u>	<u>\$ 51,596,503</u>	<u>\$ 53,861,829</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

Function/Program	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>(Expense) Total</u>
Governmental activities					
General government	\$ 2,891,993	\$ 479,644	\$ 1,391,662	\$ -	\$ (1,020,687)
Community development	481,333				(481,333)
Police department	5,513,666				(5,513,666)
Fire department	4,256,188				(4,256,188)
Street department	1,125,071				(1,125,071)
Tourism	321,655	331,416			9,761
Municipal aid	149,374				(149,374)
E-911	67,967				(67,967)
Alcohol beverage control	159	1,058,581			1,058,422
Drug court awards	7,033				(7,033)
Unallocated interest expense	102,586				(102,586)
Total governmental activities	<u>14,917,025</u>	<u>\$ 1,869,641</u>	<u>\$ 1,391,662</u>	<u>\$ -</u>	<u>\$ (11,655,722)</u>
Business-Type activities					
Water and sewer	7,020,810	10,915,020			3,894,210
Natural gas	8,802,861	9,021,104			218,243
Sanitation	3,209,696	3,446,674			236,978
Stormwater	80,744	240,730			159,986
Total business-type activities	<u>19,114,111</u>	<u>23,623,528</u>	<u>-</u>	<u>-</u>	<u>4,509,417</u>
Total primary government	<u>\$ 34,031,136</u>	<u>\$ 25,493,169</u>	<u>\$ 1,391,662</u>	<u>\$ -</u>	<u>\$ (7,146,305)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Changes in Net Position			
Net revenue (expense)	\$ (11,655,722)	\$ 4,509,417	\$ (7,146,305)
General Revenues			
Taxes			
Property taxes	3,316,483		3,316,483
Occupational taxes	4,134,901		4,134,901
Franchise taxes	171,072		171,072
Payments in lieu of taxes	52,213		52,213
Bank shares	129,884		129,884
Insurance tax	1,957,047		1,957,047
Vehicle license tax	1,050		1,050
Telephone line charges	185,384		185,384
Intergovernmental	408,235		408,235
Interest	116,564	285,775	402,339
Loss on disposal of assets		(2,555)	(2,555)
Miscellaneous	242,478	477,559	720,037
Transfers	315,000	(315,000)	-
Total general revenues and transfers	<u>11,030,311</u>	<u>445,779</u>	<u>11,476,090</u>
Change in net position	(625,411)	4,955,196	4,329,785
Net position-beginning	<u>2,890,737</u>	<u>46,641,307</u>	<u>49,532,044</u>
Net position-end of period	<u>\$ 2,265,326</u>	<u>\$ 51,596,503</u>	<u>\$ 53,861,829</u>

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

CITY OF MURRAY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,514,845	\$ 108,351	\$ 6,623,196
Receivables			
Taxes (net of allowance of \$118,500)	162,641		162,641
Due from other funds	155,410	-	155,410
Other	1,727,209	303,724	2,030,933
Restricted assets	65,268	573,486	638,754
Total assets	\$ 8,625,373	\$ 985,561	\$ 9,610,934
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 772,506	\$ 21,704	\$ 794,210
Accrued expenditures		2,635	2,635
Due to other funds	-	150,000	150,000
Accrued salaries and wages	61,729	2,518	64,247
Total liabilities	834,235	176,857	1,011,092
Fund Balances			
Restricted	65,268	808,704	873,972
Unassigned	7,725,870		7,725,870
Total fund balances	7,791,138	808,704	8,599,842
Total liabilities and fund balances	\$ 8,625,373	\$ 985,561	\$ 9,610,934
Reconciliation of total governmental fund balances to net position of governmental activities			
Total governmental fund balances			\$ 8,599,842
Amounts reported in governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			
			14,552,911
Internal service funds are used by management to charge the cost of certain activities, such as insurance and transportation costs, to individual funds. The assets and liabilities of certain internal funds are included in governmental activities in the statement of net assets.			
			(267,682)
Long-term liabilities, including bonds payable and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
			(20,619,745)
Net position of governmental activities			\$ 2,265,326

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 3,316,483		\$ 3,316,483
Insurance tax	1,957,047		1,957,047
Vehicle license tax	1,050		1,050
Occupational tax	4,134,901		4,134,901
Transient room tax		331,416	331,416
Franchise taxes	171,072		171,072
Occupational business licenses	390,850		390,850
Payments in lieu of taxes	52,213		52,213
Bank shares	129,884		129,884
License and permits	82,344		82,344
Fines and fees	6,450		6,450
Telephone line charges		185,384	185,384
Intergovernmental revenue	24,000	384,235	408,235
Interest	89,416	10,262	99,678
Alcoholic beverage fees		1,058,581	1,058,581
Miscellaneous income	213,028	29,450	242,478
Grant funds received	1,391,662		1,391,662
Total revenues	<u>11,960,400</u>	<u>1,999,328</u>	<u>13,959,728</u>
Expenditures			
Current			
General government	3,184,044		3,184,044
Police department	4,022,616		4,022,616
Fire department	3,410,763		3,410,763
Street department	875,482	149,374	1,024,856
Planning and zoning	481,333		481,333
Tourism commission		312,070	312,070
E-911		67,967	67,967
Freedom fest		17,115	17,115
Drug court awards		7,033	7,033
Alcoholic beverage control		159	159
Debt service			
Principal	261,130		261,130
Interest	102,586		102,586
Total expenditures	<u>12,337,954</u>	<u>553,718</u>	<u>12,891,672</u>
Revenues over (under) expenditures	<u>(377,554)</u>	<u>1,445,610</u>	<u>1,068,056</u>
Other Financing Sources (Uses)			
Transfers from other funds	1,513,000		1,513,000
Transfers to other funds	-	(1,198,000)	(1,198,000)
Total other financing sources (uses)	<u>1,513,000</u>	<u>(1,198,000)</u>	<u>315,000</u>
Net change in fund balance	1,135,446	247,610	1,383,056
Fund balance, beginning	6,655,692	561,094	7,216,786
Fund balance, end of year	<u>\$ 7,791,138</u>	<u>\$ 808,704</u>	<u>\$ 8,599,842</u>

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

CITY OF MURRAY, KENTUCKY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

Net change in fund balance-total governmental funds	\$ 1,383,056
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets exceed depreciation in the current period.</p>	552,440
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of the governmental funds. Neither transaction however, has any effect on net position.</p>	
Principal payments on debt	261,130
<p>Accrued compensated absences reported as long term liabilities in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	(5,497)
<p>Pension contributions are reported as expenditures in the governmental funds. However, pension expense in the statement of activities is primarily the result of changes in the components of the net pension liability over the current and future periods.</p>	
Pension expense	(1,861,920)
OPEB expense	(374,090)
<p>Internal service funds are used by management to charge the costs of certain activities, such as central garage services and employee health insurance, to individual funds. These net revenue (expense) of these internal service funds is reported with governmental activities.</p>	<u>(580,530)</u>
Change in net position of governmental activities	<u>\$ (625,411)</u>

CITY OF MURRAY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2019

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Assets						
Cash and cash equivalents	\$ 10,434,750	\$ 4,990,800	\$ 1,617,013	\$ 141,887	\$ 17,184,450	\$ -
Receivables (net of allowances)						
Customers	651,589	361,973	261,870	15,535	1,290,967	
Miscellaneous	484	2,907	285		3,676	27,442
Due from other funds		165,813	12,541		178,354	
Materials and supplies, at average cost	244,722	142,156			386,878	50,266
Total current assets	<u>11,331,545</u>	<u>5,663,649</u>	<u>1,891,709</u>	<u>157,422</u>	<u>19,044,325</u>	<u>77,708</u>
Noncurrent assets						
Construction in progress	247,442		135,688		383,130	
Utility plant in service	116,134,195	10,349,230			126,483,425	
Land	443,847	924,980	54,524		1,423,351	
Buildings	871,622	2,491,269	404,121		3,767,012	225,000
Machinery and equipment	811,877	581,566	1,567,943		2,961,386	246,815
Vehicles	1,171,096	414,140		35,116	1,620,352	
Other equipment	1,606,987	1,625,157	56,421	38,809	3,327,374	
Drainage improvement				2,250,097	2,250,097	
Accumulated depreciation	(36,624,547)	(7,097,682)	(1,655,022)	(488,425)	(45,865,676)	(351,056)
Restricted assets	3,983,615	395,318	354,852		4,733,785	503,050
Total noncurrent assets	<u>88,646,134</u>	<u>9,683,978</u>	<u>918,527</u>	<u>1,835,597</u>	<u>101,084,236</u>	<u>623,809</u>
Total assets	<u>99,977,679</u>	<u>15,347,627</u>	<u>2,810,236</u>	<u>1,993,019</u>	<u>120,128,561</u>	<u>701,517</u>
Deferred Outflows of Resources						
Deferred outflows related to pensions	876,417	682,014	73,315	24,359	1,656,105	70,057
Deferred outflows related to OPEB	303,194	235,942	25,363	8,427	572,926	24,236
Total deferred outflows	<u>1,179,611</u>	<u>917,956</u>	<u>98,678</u>	<u>32,786</u>	<u>2,229,031</u>	<u>94,293</u>
Liabilities						
Current Liabilities						
Accounts payable	670,595	406,130	246,184	8,232	1,331,141	210,181
Accrued salaries and wages	13,190	6,758	375	233	20,556	31,058
Accrued compensated absences	147,796	91,338	27,206	2,722	269,062	
Accrued liabilities	32,041	24,731	28,637	2,348	87,757	247,263
Due to other funds	14,550				14,550	169,214
Current portion of bonds/notes payable	2,895,150				2,895,150	
Customer deposits	297,420	385,020			682,440	
Accrued interest						
Bonds	62,564				62,564	
Customer deposits	78,767	124,558			203,325	
Total current liabilities	<u>4,212,073</u>	<u>1,038,535</u>	<u>302,402</u>	<u>13,535</u>	<u>5,566,545</u>	<u>657,716</u>
Noncurrent liabilities						
Net pension liability	3,405,946	2,650,657	284,796	94,634	6,436,033	272,297
Net OPEB liability	992,879	772,703	83,022	27,587	1,876,191	79,378
Notes payable	55,603,581				55,603,581	
Total noncurrent liabilities	<u>60,002,406</u>	<u>3,423,360</u>	<u>367,818</u>	<u>122,221</u>	<u>63,915,805</u>	<u>351,675</u>
Total liabilities	<u>64,214,479</u>	<u>4,461,895</u>	<u>670,220</u>	<u>135,756</u>	<u>69,482,350</u>	<u>1,009,391</u>
Deferred Inflows of Resources						
Deferred inflows related to pensions	459,031	357,238	38,383	12,754	867,406	36,699
Deferred inflows related to OPEB	217,677	169,406	18,202	6,048	411,333	17,402
Total deferred inflows	<u>676,708</u>	<u>526,644</u>	<u>56,585</u>	<u>18,802</u>	<u>1,278,739</u>	<u>54,101</u>
Net Position						
Net investment in capital assets	26,163,788	9,288,660	563,675	1,835,597	37,851,720	120,759
Restricted for						
Employee benefit trust						503,050
Debt service	2,979,705				2,979,705	
Renewal and replacement	557,220				557,220	
Landfill post closure reserve			354,852		354,852	
Unrestricted	6,565,390	1,988,384	1,263,582	35,650	9,853,006	(891,491)
Total net position	<u>\$ 36,266,103</u>	<u>\$ 11,277,044</u>	<u>\$ 2,182,109</u>	<u>\$ 1,871,247</u>	<u>\$ 51,596,503</u>	<u>\$ (267,682)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Operating Revenues						
Charges for services	\$ 10,782,505	\$ 8,900,593	\$ 3,446,674	\$ 240,730	\$ 23,370,502	\$ -
Interfund service provided					-	584,905
Tap-on fees	132,515	120,511			253,026	
Miscellaneous revenues	369,579	70,913	37,067		477,559	
Contributions to medical insurance fund					-	1,559,452
Total operating revenues	<u>11,284,599</u>	<u>9,092,017</u>	<u>3,483,741</u>	<u>240,730</u>	<u>24,101,087</u>	<u>2,144,357</u>
Operating Expenses						
Water plant expenses	744,029				744,029	
Sewer plant expenses	1,368,023				1,368,023	
Water and sewer field operations	1,269,576				1,269,576	
Gas purchased		5,532,219			5,532,219	
Engineering operations	172,568				172,568	
General office operations	681,407				681,407	
Administration expenses	560,701				560,701	446,859
Other operating expenses					-	629,569
Depreciation	1,552,235	430,203	48,680	61,810	2,092,928	15,305
Gas plant expenses		2,828,767			2,828,767	
Transfer station and landfill expenses			3,161,016		3,161,016	
Stormwater expenses				18,934	18,934	
Medical claims paid					-	1,650,040
Total operating expenses	<u>6,348,539</u>	<u>8,791,189</u>	<u>3,209,696</u>	<u>80,744</u>	<u>18,430,168</u>	<u>2,741,773</u>
Operating income (loss)	<u>4,936,060</u>	<u>300,828</u>	<u>274,045</u>	<u>159,986</u>	<u>5,670,919</u>	<u>(597,416)</u>
Non-operating Revenues (Expenses)						
Interest and dividend income	177,766	76,792	29,450	1,767	285,775	16,886
Interest expense	(672,271)	(11,672)			(683,943)	
Gain (loss) on sale of assets		(83)	(2,472)		(2,555)	
Total non-operating revenues (expenses)	<u>(494,505)</u>	<u>65,037</u>	<u>26,978</u>	<u>1,767</u>	<u>(400,723)</u>	<u>16,886</u>
Income before transfers	4,441,555	365,865	301,023	161,753	5,270,196	(580,530)
Operating Transfers						
From (to) other funds	(105,000)	(105,000)	(105,000)		(315,000)	
Change in net position	<u>4,336,555</u>	<u>260,865</u>	<u>196,023</u>	<u>161,753</u>	<u>4,955,196</u>	<u>(580,530)</u>
Net position-beginning of period	31,929,548	11,016,179	1,986,086	1,709,494	46,641,307	312,848
Net position-end of period	<u>\$ 36,266,103</u>	<u>\$ 11,277,044</u>	<u>\$ 2,182,109</u>	<u>\$ 1,871,247</u>	<u>\$ 51,596,503</u>	<u>\$ (267,682)</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities					Governmental
	Water and Sewer	Gas	Sanitation	Stormwater	Totals	Internal Service
Cash Flows From Operating Activities						
Cash received from customers	\$ 12,899,206	\$ 9,069,696	\$ 3,464,884	\$ 239,610	\$ 25,673,396	\$ -
Cash paid to suppliers	(2,857,507)	(6,419,948)	(2,747,827)	(40,713)	(12,065,995)	(337,403)
Cash paid for employees and benefits	(2,614,386)	(1,861,837)	(319,761)	(69,901)	(4,865,885)	(211,492)
Cash received from interfund services provided						230,495
Customer deposits received (refunded)	9,860	1,650			11,510	
Net cash provided by operating activities	<u>7,437,173</u>	<u>789,561</u>	<u>397,296</u>	<u>128,996</u>	<u>8,753,026</u>	<u>(318,400)</u>
Cash Flow From Noncapital Financing Activities						
Transfer to other funds	(105,000)	(105,000)	(105,000)		(315,000)	
Landfill closure funded			(14,852)		(14,852)	
Cash received for interfund payables	50,038	987	98,827		149,852	
Net cash provided (used) by noncapital financing activities	<u>(54,962)</u>	<u>(104,013)</u>	<u>(21,025)</u>	<u>-</u>	<u>(180,000)</u>	<u>-</u>
Cash Flows From Capital And Related Financing Activities						
Acquisition and construction of capital assets	(9,963,587)	(766,299)	(135,810)	(82,760)	(10,948,456)	(48,619)
Proceeds from debt	7,875,134				7,875,134	
Principal paid on capital debt	(150,981)				(150,981)	
Interest paid on capital debt	(653,465)				(653,465)	
Interest paid on customer deposits	(5,334)	(6,341)			(11,675)	
Net cash provided (used) by capital and related financing activities	<u>(2,898,233)</u>	<u>(772,640)</u>	<u>(135,810)</u>	<u>(82,760)</u>	<u>(3,889,443)</u>	<u>(48,619)</u>
Cash Flows From Investing Activities						
Interest and dividends	177,766	76,792	29,450	1,767	285,775	16,886
Net cash provided by investing activities	<u>177,766</u>	<u>76,792</u>	<u>29,450</u>	<u>1,767</u>	<u>285,775</u>	<u>16,886</u>
Net increase (decrease) in cash and cash equivalents	4,661,744	(10,300)	269,911	48,003	4,969,358	(350,133)
Cash and cash equivalents at beginning of year-Restated	9,756,621	5,396,418	1,347,102	93,884	16,594,025	853,183
Cash and cash equivalents at end of year	<u>\$ 14,418,365</u>	<u>\$ 5,386,118</u>	<u>\$ 1,617,013</u>	<u>\$ 141,887</u>	<u>\$ 21,563,383</u>	<u>\$ 503,050</u>
Cash and cash equivalents are included on the Statement of Net Position as:						
Cash and cash equivalents	\$ 10,434,750	\$ 4,990,800	\$ 1,617,013	\$ 141,887	\$ 17,184,450	
Restricted assets	3,983,615	395,318			4,378,933	503,050
Total	<u>\$ 14,418,365</u>	<u>\$ 5,386,118</u>	<u>\$ 1,617,013</u>	<u>\$ 141,887</u>	<u>\$ 21,563,383</u>	<u>\$ 503,050</u>

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	<u>Business-Type Activities</u>					<u>Governmental</u>
	<u>Water and</u>				<u>Totals</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Gas</u>	<u>Sanitation</u>	<u>Stormwater</u>		<u>Service</u>
Reconciliation of Operating Income (loss) to						
Net Cash Provided (Used) by Operating Activities						
Operating income	\$ 4,936,060	\$ 300,828	\$ 274,045	\$ 159,986	\$ 5,670,919	\$ (597,416)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	1,552,235	430,203	48,680	61,810	2,092,928	15,305
Pension/OPEB expense	66,761	133,898	82,173	(73,433)	209,399	55,192
(Increase) Decrease in operating assets:						
Receivables-customers	1,614,662	(19,865)	(18,748)	(1,128)	1,574,921	3,014
Receivables-others	(55)	(2,456)	(109)	8	(2,612)	
Inventory	(12,465)	(15,018)			(27,483)	(1,073)
Increase (Decrease) in operating liabilities:						
Accounts payable	(752,435)	(54,982)	15,387	(18,603)	(810,633)	9,354
Accrued expenses	22,550	15,303	(4,132)	356	34,077	171,721
Customer deposits	9,860	1,650			11,510	
Due to other funds					-	25,503
Net cash provided by operating activities	<u>\$ 7,437,173</u>	<u>\$ 789,561</u>	<u>\$ 397,296</u>	<u>\$ 128,996</u>	<u>\$ 8,753,026</u>	<u>\$ (318,400)</u>

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

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

June 30, 2019

	Pension Trust Fund	Private-Purpose Trust Fund	
	Employee Retirement	Cemetery	Totals
Assets			
Restricted assets			
Cash	\$ 29,286	\$ 157,976	\$ 187,262
Investments, at fair value	1,165,894		1,165,894
Total assets	1,195,180	157,976	1,353,156
Liabilities			
Accounts payable		9,612	9,612
Total liabilities	-	9,612	9,612
Net Position			
Assets held in trust for pension benefits and other purposes	\$ 1,195,180	\$ 148,364	\$ 1,343,544

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

CITY OF MURRAY, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For The Year Ended June 30, 2019

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	
	<u>Employee Retirement</u>	<u>Cemetery</u>	<u>Totals</u>
Additions			
Contributions	\$ 216,186		\$ 216,186
Cemetery sales		43,482	43,482
Investment income:			
Interest and dividends	44,976	4,101	49,077
Net change in fair value investments	40,754		40,754
Gain on sale of assets	8,728		8,728
Total additions	<u>310,644</u>	<u>47,583</u>	<u>358,227</u>
Deductions			
Benefits	202,251		202,251
Administrative expenses	7,848	3,433	11,281
Repairs and maintenance		50,884	50,884
Total deductions	<u>210,099</u>	<u>54,317</u>	<u>264,416</u>
Change in net position	100,545	(6,734)	93,811
Net position, beginning of year	<u>1,094,635</u>	<u>155,098</u>	<u>1,249,733</u>
Net position, end of year	<u>\$ 1,195,180</u>	<u>\$ 148,364</u>	<u>\$ 1,343,544</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF MURRAY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

B. Basis of Presentation – Fund Accounting

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

Governmental funds

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

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

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

C. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting and Measurement Focus – Continued

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

Fund Financial Statements

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

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

D. Cash and cash equivalents

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

E. Receivables

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

F. Investments

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

G. Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Capital Assets - Continued

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

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

H. Restricted Assets

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

I. Deferred Outflows/Inflows of Resources

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

J. Compensated Absences

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

K. Pensions

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

L. Long-Term Debt

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Equity Classification

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

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

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

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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund classification includes amounts that cannot be spent because they are either (1) not in spendable form – prepaid items or inventories; or (2) legally or contractually required to be maintained intact. At June 30, 2019, none of the City’s fund balances were classified as nonspendable.

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

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

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

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

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

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

N. Property Tax Revenue

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

O. Postemployment Healthcare Benefits

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and the Budgetary Process

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

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

B. Deficits in Fund Equity

A deficit of \$342,970 exists in the Central Garage Fund as of June 30, 2019, resulting from excess expenditures incurred and the pension and OPEB adjustments required by the new accounting standards adopted during the current and prior years. The general fund is liable for any deficit in this fund and provides transfers when cash is required.

NOTE 3 – DETAIL NOTES

A. Deposits with Financial Institutions

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents and restricted assets. The City’s investment policy requires that funds held directly by the City be invested in obligations of the United States government or United States government agencies, or certificates of deposit or similar instruments of banks or savings and loan institutions. Custodial credit risk of deposits is the risk that in the event of a bank failure the government’s deposits may not be returned to it. Interest-bearing and non-interest-bearing deposits are each covered by federal depository insurance up to \$250,000. Deposits over the insured amounts are covered by collateral held by the City’s agent in the City’s name. At June 30, 2019, all bank balances were covered by insurance or adequately collateralized. All funds are classified as public funds.

B. Investments

The City’s investments are held in trust and asset management accounts for the Police and Fireman’s Pension Fund. Investments at June 30, 2019, are summarized below:

Investment Type	Fair Value	Percent of Total
Equity	\$ 764,475	65.6%
Fixed Income	401,419	34.4%
	\$1,165,894	100%

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

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the City’s investments were rated as shown in the above table.

Concentrations of credit risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy as required by KRS 66.480 does not place a fixed percentage limit for any one issuer. At June 30, 2019, the City had two instances of investments with a single issuer exceeding 5% of total investments, as shown in the above table.

NOTE 3 – DETAIL NOTES- Continued

C. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The property assessment date is January 1, with taxes levied on September 30 and due on October 31. Property taxes receivable as of June 30, 2019, are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2018	\$ 102,609
2017	47,517
2016	34,960
2015	58,125
2014	37,930
Total Property Taxes Receivable	281,141
Less Allowance For Uncollectible	<u>(118,500)</u>
Net Property Taxes Receivable	<u>\$ 162,641</u>

D. Interfund Transactions

Interfund receivables and payables at June 30, 2019, for operating expenses were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 155,410	\$ -
Central Garage Fund		169,214
ABC Fund		150,000
Water & Sewer		14,550
Gas Fund	165,813	
Sanitation	<u>12,541</u>	
Total Due To	<u>\$ 333,764</u>	<u>\$ 333,764</u>

The following interfund transfers were made during the year:

	<u>Municipal Road Aid Fund</u>	<u>E-911 Fund</u>	<u>ABC Fund</u>	<u>Water & Sewer</u>	<u>Gas</u>	<u>Sanitation</u>	<u>Total Transfers In</u>
General Fund	\$ 50,000	\$ 148,000	\$ 1,000,000	\$ 105,000	\$ 105,000	\$ 105,000	\$ 1,513,000
Total Transfers Out	<u>\$ 50,000</u>	<u>\$ 148,000</u>	<u>\$ 1,000,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 1,513,000</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property, Plant, and Equipment

Capital asset activity for the year is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 528,939	\$ -	\$ -	\$ 528,939
Construction in Progress	59,131			59,131
Total Capital Assets Not Being Depreciated	<u>\$ 588,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588,070</u>
Capital Assets, Being Depreciated:				
Buildings	4,475,859	35,560		4,511,419
Machinery and equipment	5,037,468	181,926	(37,845)	5,181,549
Infrastructure	12,315,390	1,077,021		13,392,411
Total Capital Assets Being Depreciated	<u>\$ 21,828,717</u>	<u>\$ 1,294,507</u>	<u>\$ (37,845)</u>	<u>\$ 23,085,379</u>
Less Accumulated Depreciation For:				
Buildings	(1,045,360)	(157,702)		(1,203,062)
Machinery and equipment	(2,808,372)	(298,741)	37,845	(3,069,268)
Infrastructure	(4,475,139)	(252,310)		(4,727,449)
Total Accumulated Depreciation	<u>\$ (8,328,871)</u>	<u>\$ (708,753)</u>	<u>\$ 37,845</u>	<u>\$ (8,999,779)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 13,499,846</u>	<u>\$ 585,754</u>	<u>\$ -</u>	<u>\$ 14,085,600</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,087,916</u>	<u>\$ 585,754</u>	<u>\$ -</u>	<u>\$ 14,673,670</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets				
Land	\$ 1,423,351	\$ -		\$ 1,423,351
Construction in progress	317,225	65,905		383,130
Buildings	3,672,818	94,194		3,767,012
Machinery and equipment	7,158,263	817,790	(66,941)	7,909,112
Drainage improvement	2,167,337	82,760		2,250,097
Utility plant	116,655,713	9,856,077	(28,365)	126,483,425
Total Capital Assets	<u>\$ 131,394,707</u>	<u>\$ 10,916,726</u>	<u>\$ (95,306)</u>	<u>\$ 142,216,127</u>
Less Accumulated Depreciation For:				
Buildings	(1,739,400)	(122,829)		(1,862,229)
Machinery and equipment	(5,461,014)	(415,611)	64,469	(5,812,156)
Drainage improvement	(360,069)	(54,434)		(414,503)
Utility plant	(36,336,746)	(1,500,052)	60,010	(37,776,788)
Total Accumulated Depreciation	<u>\$ (43,897,229)</u>	<u>\$ (2,092,926)</u>	<u>\$ 124,479</u>	<u>\$ (45,865,676)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 87,497,478</u>	<u>\$ 8,823,800</u>	<u>\$ 29,173</u>	<u>\$ 96,350,451</u>

NOTE 3 – DETAIL NOTES – (Continued)

E. Property, Plant, and Equipment - Continued

Depreciation was charged to governmental functions as follows:

General government	\$	34,864
Police department		183,425
Fire department		180,109
Street department		285,133
Tourism		9,917
Central garage		15,305
	\$	<u>708,753</u>

F. Restricted Assets

Restricted assets at June 30, 2019, consisted of the following cash accounts:

General Fund		
CDBG Housing	\$	65,268
Special revenue funds		573,486
Employee benefits		503,050
Total governmental funds		<u>1,141,804</u>
Water and Sewer		
Meter deposits		368,900
Escrow		77,790
Bond and interest reserve		2,979,705
Renewal and replacement		557,220
Natural Gas		
Meter deposits		395,318
Sanitation		
Landfill postclosure reserve		354,852
Total Business-Type funds		<u>4,733,785</u>
Total Restricted Assets	\$	<u>5,875,589</u>

G. Retirement Plan

Plan Description- The City contributes to the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS), which consists of two plans – Nonhazardous and Hazardous. Each plan is a cost-sharing multiple employer defined benefit pension plan. The plans were established in 1958 by the Kentucky General Assembly in order to supplement the benefits provided by Social Security. Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board of Trustees administers the Kentucky Retirement Systems Insurance Fund. All regular full-time employees of the City are eligible to participate in the plans. The plans provide for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Under the City’s plans, any member, age 65 or older, with at least 1 month of service credit may elect to receive a benefit for life that is an actuarial equivalent to twice the member’s contributions and interest. A member, age 65 or older, with at least 48 months of service credit is eligible to receive an unreduced monthly benefit for life based on the member’s salary and service credit. A member with 27 or more years of service credit can retire at any time with no reduction in benefits. A member with at least 25, but less than 27 years of service credit, may retire at any time, prior to age 65, with a reduction in benefits. A member age 55, with at least 5 years of service credit, may retire with a reduction in benefits. For the year ended June 30, 2019, the City's total covered payroll was \$8,189,918. Covered payroll refers to all compensation paid by the City to active employees covered by the plans.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Contributions- The contribution requirements of plan members and the City are established by state statute. Employee contributions for plan members who began participating with KRS prior to September 1, 2008, were 5% for nonhazardous employees and 8% for hazardous employees of their annual creditable compensation to KRS. Those who began on or after September 1, 2008, contribute a total of 6% for nonhazardous and 9% for hazardous of all their creditable compensation to KRS. One percent of each employee’s contribution is deposited to the KRS Pension Fund 401(h) account for the payment of health insurance benefits. If a member terminates his/her employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in his/her account; however, the 1% contributed to the 401(h) account is non-refundable and is forfeited. Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan, a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund. Employer contribution rates were adopted by the Board of KRS based on actuarially recommended rates. The required contribution rates for the year ended June 30, 2019, were 21.48% for nonhazardous employees and 35.33% for hazardous employees. The City’s contributions to the plans for the year ended June 30, 2019, were \$2,280,407.

Pension Liabilities- At June 30, 2018, the City reported a liability of \$8,927,778 for its proportionate share of the net pension liability of the nonhazardous plan and \$14,394,390 for the hazardous plan. 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 a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City’s proportion was 0.14659 percent for the nonhazardous plan and 0.0059519 percent for the hazardous plan.

Pension Expense- For the year ended June 30, 2019, the City recognized pension expense of \$1,039,744 for the nonhazardous plan and \$2,614,341 for the hazardous plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
CERS Nonhazardous	\$ 291,199	\$ 130,684
CERS Hazardous	1,145,550	
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous	415,148	522,197
CERS Hazardous	533,532	695,894
Change of assumptions		
CERS Nonhazardous	872,504	
CERS Hazardous	1,532,234	
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous		550,346
CERS Hazardous	216,317	328,047
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	718,443	
CERS Hazardous	935,249	
Total	\$ 6,660,176	\$ 2,227,168

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

The deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	
2020	\$ 2,179,545
2021	919,492
2022	(206,805)
2023	(112,916)
	\$ 2,779,316

Actuarial Assumptions- The total pension liability is based on an actuarial valuation date of June 30, 2017, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary Increases	3.05 percent, average, including inflation
Investment Rate of Return	6.25 percent., net of pension plant investment expense including inflation

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

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2017, valuation was based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return and net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.5%	4.5%-5.5%
International Equity	17.5%	3.0%-7.25%
Global Bonds	4%	3.00%
Global Credit	2%	3.75%
High Yield	7%	5.50%
Emerging Market Debt	5%	6.00%
Private Credit	10%	8.50%
Real Estate	5%	9.00%
Absolute Return	10%	5.00%
Real Return	10%	7.00%
Private equity	10%	6.50%
Cash	2%	1.50%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 6.25 percent. 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 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
CERS:			
Nonhazardous-Net Pension Liability	\$ 11,239,148	\$ 8,927,778	\$ 6,991,255
Hazardous-Net Pension Liability	\$ 18,035,228	\$ 14,394,390	\$ 11,384,555

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems comprehensive annual financial report for the fiscal year ended June 30, 2018.

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Murray Convention and Visitors Bureau

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

Contributions - The Murray Convention and Visitors Bureau's contributions to the plan for the year ended June 30, 2019, were \$18,638.

Pension Liabilities - At June 30, 2019, the Murray Convention and Visitors Bureau reported a liability of \$188,982 for its proportionate share of the net pension liability of the plan. 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 Murray Convention and Visitors Bureau's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Murray Convention and Visitors Bureau's proportion was 0.003103 percent.

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
CERS:			
Nonhazardous-Net Pension Liability	\$ 237,909	\$ 188,982	\$ 147,990

Pension Expense - For the year ended June 30, 2019, the Murray Convention and Visitors Bureau recognized pension expense of \$30,291.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2019, the Murray Convention and Visitors Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,164	\$ 2,766
Difference between projected and actual investment earnings on Plan investments	8,788	11,054
Change of assumptions	18,469	
Change in proportion and differences between employer contributions and proportionate share of contributions	10,048	6,788
Employer contributions subsequent to the measurement date	18,638	
Total	<u>\$ 62,107</u>	<u>\$ 20,608</u>

NOTE 3 – DETAIL NOTES – (Continued)

G. Retirement Plan – (Continued)

Murray Convention and Visitors Bureau

The deferred outflows of resources resulting from the Murray Convention and Visitors Bureau's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 17,924
2021	9,024
2022	(3,072)
2023	<u>(1,015)</u>
	<u>\$ 22,861</u>

Police and Firemen’s Pension Fund

On August 1, 1988, the City adopted an ordinance to participate in the CERS plan (described above) for all current employees of the police and fire departments, as well as those hired after August 1, 1988. Former employees of the police and fire departments who were receiving benefits on August 1, 1988, were not transferred to CERS. These benefits are continuing to be paid from the Police and Firemen’s Pension Fund, a fiduciary fund of the City, which has assets with a fair value of \$1,195,180 at June 30, 2019. An actuarial valuation was performed as of June 30, 2016, and submitted by the actuary in December 2017. However, there was no indication that the plan had adopted the provisions of GASB 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25, effective for fiscal years beginning after June 15, 2013. This standard revised existing standards of financial reporting by state and local government pension plans. Management is currently evaluating the effects of adopting GASB 68 on this fiduciary plan. None of the previous pension disclosures include any activity in this plan for the current or prior year.

H. Postemployment Benefits Other Than Pensions (OPEB)

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

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

For the year ended June 30, 2019, the City contributed \$238,985, or 100% of the required contribution for non-hazardous job classifications, and \$393,730, or 100% of the required contribution for hazardous job classifications. Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date: Tier 1 Participation date Before July 1, 2003 Insurance eligibility 10 years of service credit required Benefit Set percentage of single coverage health insurance based on service credit accrued at retirement Tier 1 Participation date Before September 1, 2008 but after July 1, 2003 Insurance eligibility 10 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually Tier 2 Participation date After September 1, 2008 and before December 31, 2013 Insurance eligibility 15 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually Tier 3 Participation date After December 31, 2013 Insurance eligibility 15 years of service credit required Benefit Set dollar amount based on service credit accrued, increased annually.

NOTE 3 – DETAIL NOTES – (Continued)

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

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 of the nonhazardous plan as \$2,602,570 and \$4,243,699 for the hazardous plan. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was 0.14658 percent for the nonhazardous plan and 0.0059522 percent for the hazardous plan.

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,032,555. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience		
CERS Nonhazardous	\$ -	\$ 303,295
CERS Hazardous		474,246
Difference between projected and actual investment earnings on Plan investments		
CERS Nonhazardous		179,266
CERS Hazardous		403,439
Change of assumptions		
CERS Nonhazardous	519,772	6,013
CERS Hazardous	1,302,274	11,608
Change in proportion and differences between employer contributions and proportionate share of contributions		
CERS Nonhazardous		82,008
CERS Hazardous		41,137
Employer contributions subsequent to the measurement date		
CERS Nonhazardous	274,970	
CERS Hazardous	376,833	
Total	<u>\$ 2,473,849</u>	<u>\$ 1,501,012</u>

The \$651,803 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. This includes adjustments of \$41,985 for the nonhazardous implicit subsidy and (\$16,897) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30	
<u> </u>	
2020	\$ 236,635
2021	236,635
2022	2,408
2023	(94,888)
2024	(38,306)
Thereafter	(21,450)
	<u>\$ 321,034</u>

NOTE 3 – DETAIL NOTES – (Continued)

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

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:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05%, average
Investment rate of return	6.25%
Healthcare trend rates	
Pre-65	Initial trend starting at 7.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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 summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.5%	4.5%-5.5%
International Equity	17.5%	3.0%-7.25%
Global Bonds	4%	3.00%
Global Credit	2%	3.75%
High Yield	7%	5.50%
Emerging Market Debt	5%	6.00%
Private Credit	10%	8.50%
Real Estate	5%	9.00%
Absolute Return	10%	5.00%
Real Return	10%	7.00%
Private equity	10%	6.50%
Cash	2%	1.50%
Total	100%	

NOTE 3 – DETAIL NOTES – (Continued)

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

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. 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 25-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 3.62%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy 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 Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Nonhazardous-Net OPEB Liability	\$ 3,380,321	\$ 2,602,570	\$ 1,940,068

	1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
Hazardous-Net OPEB Liability	\$ 5,898,950	\$ 4,243,699	\$ 2,918,626

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

	Decrease (1%)	Current Cost Trend Rate	Increase (1%)
Nonhazardous-Net OPEB Liability	\$ 1,937,639	\$ 2,602,570	\$ 3,386,332

	Decrease (1%)	Current Cost Trend Rate	Increase (1%)
Hazardous-Net OPEB Liability	\$ 2,890,163	\$ 4,243,699	\$ 5,920,108

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

NOTE 3 – DETAIL NOTES – (Continued)

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

Murray Convention and Visitors Bureau

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

OPEB Liability- At June 30, 2019, the Bureau reported a liability of \$55,093 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Bureau. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Bureau’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Bureau’s proportion was 0.00310% for CERS OPEB.

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

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
CERS:			
Nonhazardous-Net OPEB Liability	<u>\$ 71,557</u>	<u>\$ 55,093</u>	<u>\$ 41,069</u>

	Decrease (1%)	Current Cost Trend Rate	Increase 1%
CERS:			
Nonhazardous-Net OPEB Liability	<u>\$ 41,017</u>	<u>\$ 55,093</u>	<u>\$ 71,684</u>

NOTE 3 – DETAIL NOTES – (Continued)

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

Murray Convention and Visitors Bureau- (Continued)

OPEB expense- For the year ended June 30, 2019, the Bureau recognized OPEB expense of \$6,596. At June 30, 2019, the Bureau reported deferred outflows of resources and deferred inflows of resources related to the medical expense OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 6,420
Difference between projected and actual investment earnings on Plan investments		3,795
Change of assumptions	11,003	127
Change in proportion and differences between employer contributions and proportionate share of contributions		2,263
Employer contributions subsequent to the measurement date	<u>5,076</u>	
Total	<u>\$ 16,079</u>	<u>\$ 12,605</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$5,076 resulting from Bureau contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Bureau's OPEB expense as follows:

<u>Year Ending June 30</u>	
2020	\$ (237)
2021	(237)
2022	(237)
2023	500
2024	(910)
Thereafter	(481)
	<u>\$ (1,602)</u>

NOTE 3 – DETAIL NOTES – (Continued)

I. Long-Term Liabilities

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

Notes and bonds payable at June 30, 2019, are summarized, as follows:

Governmental Activities

BB&T notes payable - due in scheduled maturities through January 13, 2023	\$ 175,045
TMB note payable - monthly payments of \$14,830 through July 23, 2035, including interest at 1.75% to 3.25%	2,108,450
Community Financial Services Bank note payable - monthly payments of \$8,524 through May 5, 2024, including interest at 2.78%	467,589
Murray Bank- Murray Convention Center debt monthly installments for 60 months at 4.18% after 60 months, rate changes to 5.5 for 180 months	110,931
	<u>\$ 2,862,015</u>

Water and Sewer Fund

Kentucky Area Development District Financing Trust- due in schedule maturities through May 20, 2023 at 1.5% to 4.7%	\$ 410,000
Kentucky Infrastructure Authority Revolving Loan Fund - due in scheduled maturities through June 1, 2029, at 1%	644,462
Kentucky Infrastructure Authority Revolving Loan Fund - Fund A Loan Construction Loan- upon completion will be due in schedule maturities for twenty years at 1%	57,444,269
	<u>\$ 58,498,731</u>

NOTE 3 – DETAIL NOTES – (Continued)

I. Long-Term Liabilities- Continued

The annual debt service requirements to maturity for the above long-term debt as of June 30, 2019, are presented below:

Fiscal Year Ended	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
June 30				
2020	\$ 247,846	\$ 73,414	\$ 2,895,150	\$ 742,404
2021	253,342	68,085	2,928,222	704,253
2022	260,382	61,220	2,961,574	665,531
2023	246,120	54,667	2,995,212	626,230
2024	211,585	49,596	2,914,136	586,351
2025-2029	730,486	180,715	15,014,796	2,398,817
2030-2034	740,434	80,846	15,435,500	1,486,674
2035-2039	171,820	2,877	13,354,141	514,004
Totals	<u>\$ 2,862,015</u>	<u>\$ 571,420</u>	<u>\$ 58,498,731</u>	<u>\$ 7,724,264</u>

The following is a summary of the City's long-term liability activity for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
BB&T - Fire Truck	\$ 221,559	\$ -	\$ 46,514	\$ 175,045	\$ 47,515
The Murray Bank	2,200,594		92,144	2,108,450	105,995
Community Financial Services	33,275		33,275	-	-
Community Financial Services	556,787		89,198	467,589	90,402
Murray Conven Cent-MB	113,544		2,613	110,931	3,934
Compensated absences	435,835	63,984		499,819	257,931
	<u>\$ 3,561,594</u>	<u>\$ 63,984</u>	<u>\$ 263,744</u>	<u>\$ 3,361,834</u>	<u>\$ 505,777</u>
Business-type activities					
KADD	\$ 500,000	\$ -	\$ 90,000	\$ 410,000	\$ 95,000
KIA	705,443		60,981	644,462	61,592
KIA 12/12	49,569,135	7,875,134		57,444,269	2,738,558
Compensated absences	250,637	18,425		269,062	145,143
	<u>\$ 51,025,215</u>	<u>\$ 7,893,559</u>	<u>\$ 150,981</u>	<u>\$ 58,767,793</u>	<u>\$ 3,040,293</u>

NOTE 3 – DETAIL NOTES – (Continued)

J. Conduit Debt Obligations

As of June 30, 2019, the City of Murray had the following bond issues outstanding related to the acquisition and construction of facilities:

Murray State University	\$ 6,995,000
Murray Calloway County Hospital	<u>37,140,000</u>
Total principal amounts payable	<u>\$ 44,135,000</u>

K. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. To obtain insurance of these risks, the City participates in the Kentucky League of Cities Insurance Services (KLCIS). These public entity risk pools operate as common risk managements and insurance programs for participating cities and other governmental entities in Kentucky. The City pays an annual premium to each fund for coverage. City employees are provided traditional health care insurance that covers hospitalization and major medical expenses within specified limits. The plan is self-funded by the City and administered by a third-party administrator. The City pays the administrator a fee for various claim administration services. The City pays all claims after the third-party administrator who in turn issues individual claim checks. The City carries stop-loss insurance against catastrophic losses. The premiums for these policies are billed by the third-party administrator to the City. The claims liability reported in the Medical Insurance Fund at June 30, 2019 was estimated using information provided by the third-party administrators.

L. Commitments and Contingencies

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

M. Claims and Judgments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 4- SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated transactions and events for potential recognition or disclosure through December 10, 2019, the date financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Murray Convention Center

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

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

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

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

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

Murray Convention Center

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

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

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

CERS:	2017	2018
Nonhazardous		
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122
Employer's Proportion (Percentage) of Net OPEB Liability	0.15129%	0.14658%
Employers Proportion (Amount) of Net OPEB Liability	\$ 3,041,467	\$ 2,602,570
Employer's Covered-Employer payroll	\$ 3,750,644	\$ 4,429,366
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	81.09%	58.76%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%
Hazardous		
Total Net OPEB Liability	\$ 826,671,577	\$ 712,959,449
Employer's Proportion (Percentage) of Net OPEB Liability	0.60017%	0.59522%
Employers Proportion (Amount) of Net OPEB Liability	\$ 4,961,451	\$ 4,243,699
Employer's Covered-Employer payroll	\$ 3,397,080	\$ 3,760,552
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	146.05%	112.85%
Total Plan's Fiduciary Net Position	\$ 1,189,001,387	\$ 1,280,982,000
Total Plan OPEB Liability	\$ 2,015,672,964	\$ 1,993,941,000
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	59.0%	64.2%
Murray Convention Center		
CERS:		
Nonhazardous		
Total Net OPEB Liability	\$ 2,010,342,054	\$ 1,775,480,122
Employer's Proportion (Percentage) of Net OPEB Liability	0.00324%	0.00310%
Employers Proportion (Amount) of Net OPEB Liability	\$ 65,135	\$ 55,093
Employer's Covered-Employer payroll	\$ 79,230	\$ 75,595
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	82.21%	72.88%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662	\$ 2,414,126,000
Total Plan OPEB Liability	\$ 4,222,877,716	\$ 4,189,606,000
Total Fiduciary Net Position as a Percentage to Total OPEB Liability	52.4%	57.6%

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

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

CERS:

Nonhazardous

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

Hazardous

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

Murray Convention Center

CERS:

Nonhazardous

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

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

CITY OF MURRAY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019

Notes to Schedules

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

2018-

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

2017-

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

2015 –

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

2014 –

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

Changes of assumptions-

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

2013 –

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

Method and assumptions used in calculations of actuarially determined contributions-

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

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

See independent auditor's report.

CITY OF MURRAY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL- GENERAL FUND
For The Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues				
Property taxes	\$ 3,206,525	\$ 3,206,525	\$ 3,316,483	\$ 109,958
Insurance tax	1,789,400	1,789,400	1,957,047	167,647
Vehicle license tax	-	-	1,050	1,050
Occupational tax	3,205,000	3,205,000	4,134,901	929,901
Franchise taxes	128,700	128,700	171,072	42,372
Occupational business licenses	350,000	350,000	390,850	40,850
Payments in lieu of taxes	65,000	65,000	52,213	(12,787)
Bank shares	125,000	125,000	129,884	4,884
License and permits	100,000	100,000	82,344	(17,656)
Fines and fees	33,000	33,000	6,450	(26,550)
Intergovernmental revenue	26,000	26,000	24,000	(2,000)
Interest	50,000	50,000	89,416	39,416
Miscellaneous income	606,674	742,752	213,028	(529,724)
Grant funds received	3,113,451	3,187,667	1,391,662	(1,796,005)
Transient room tax	270,000	270,000	-	(270,000)
Total revenues	<u>13,068,750</u>	<u>13,279,044</u>	<u>11,960,400</u>	<u>(1,318,644)</u>
Expenditures				
General government	5,466,959	5,792,847	3,184,044	2,608,803
Police department	4,526,473	4,539,000	4,022,616	516,384
Fire department	4,058,848	4,063,375	3,410,763	652,612
Street department	932,410	999,000	875,482	123,518
Planning and zoning	543,899	555,999	481,333	74,666
Debt service				
Principal			261,130	(261,130)
Interest			102,586	(102,586)
Total expenditures	<u>15,528,589</u>	<u>15,950,221</u>	<u>12,337,954</u>	<u>3,612,267</u>
Revenues over (under) expenditures	<u>(2,459,839)</u>	<u>(2,671,177)</u>	<u>(377,554)</u>	<u>2,293,623</u>
Other Financing Sources (Uses)				
Transfer from other funds	1,415,000	1,415,000	1,513,000	98,000
Transfers to other funds			-	-
Total other financing sources (uses)	<u>1,415,000</u>	<u>1,415,000</u>	<u>1,513,000</u>	<u>98,000</u>
Net change in fund balance	(1,044,839)	(1,256,177)	1,135,446	2,391,623
Fund balance, beginning of year	5,228,384	6,655,692	6,655,692	-
Fund balance, end of year	<u>\$ 4,183,545</u>	<u>\$ 5,399,515</u>	<u>\$ 7,791,138</u>	<u>\$ 2,391,623</u>

SUPPLEMENTARY AND OTHER INFORMATION SECTION

**CITY OF MURRAY, KENTUCKY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2019

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Assets							
Cash	\$ -	\$ -	\$ 96,986	\$ -	\$ -	\$ 11,365	\$ 108,351
Accounts receivable			14,047	30,357		259,320	303,724
Restricted assets	307,088	151,200	64,969	40,473	9,756		573,486
Total assets	<u>\$ 307,088</u>	<u>\$ 151,200</u>	<u>\$ 176,002</u>	<u>\$ 70,830</u>	<u>\$ 9,756</u>	<u>\$ 270,685</u>	<u>\$ 985,561</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 13,568	\$ 3,377	\$ 4,733	\$ -	\$ -	\$ 26	\$ 21,704
Accrued expenditures			2,635				2,635
Accrued wages			2,518				2,518
Due to other funds						150,000	150,000
Total liabilities	<u>13,568</u>	<u>3,377</u>	<u>9,886</u>	<u>-</u>	<u>-</u>	<u>150,026</u>	<u>176,857</u>
Fund Balances							
Restricted	293,520	147,823	166,116	70,830	9,756	120,659	808,704
Total fund balances	<u>293,520</u>	<u>147,823</u>	<u>166,116</u>	<u>70,830</u>	<u>9,756</u>	<u>120,659</u>	<u>808,704</u>
Total liabilities and fund balances	<u>\$ 307,088</u>	<u>\$ 151,200</u>	<u>\$ 176,002</u>	<u>\$ 70,830</u>	<u>\$ 9,756</u>	<u>\$ 270,685</u>	<u>\$ 985,561</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	Special Revenue Funds						Totals
	Municipal Aid	E-911	Murray Convention and Visitors Bureau	Drug Court Awards Fund	LGEA	Alcoholic Beverage Control	
Revenues							
Intergovernmental revenues	\$ 351,498	\$ -	\$ -	\$ 32,737	\$ -	\$ -	\$ 384,235
Interest earned	4,544	2,856	13	211	123	2,515	10,262
Telephone line charges		185,384					185,384
Transient room tax			331,416				331,416
Alcoholic beverage license fees						1,058,581	1,058,581
Other			21,626	7,545	279	-	29,450
Total revenues	<u>356,042</u>	<u>188,240</u>	<u>353,055</u>	<u>40,493</u>	<u>402</u>	<u>1,061,096</u>	<u>1,999,328</u>
Expenditures							
Street department	149,374						149,374
E-911		67,967					67,967
Tourism commission			312,070				312,070
Freedom fest			17,115				17,115
Drug programs				7,033			7,033
Alcoholic beverage control						159	159
Total expenditures	<u>149,374</u>	<u>67,967</u>	<u>329,185</u>	<u>7,033</u>	<u>-</u>	<u>159</u>	<u>553,718</u>
Revenues over (under) expenditures	206,668	120,273	23,870	33,460	402	1,060,937	1,445,610
Other Financing Sources (Uses)							
Transfer to other funds	(50,000)	(148,000)				(1,000,000)	(1,198,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(148,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,198,000)</u>
Net change in fund balance	156,668	(27,727)	23,870	33,460	402	60,937	247,610
Fund balance, beginning of year	136,852	175,550	142,246	37,370	9,354	59,722	561,094
Fund balance, end of year	<u>\$ 293,520</u>	<u>\$ 147,823</u>	<u>\$ 166,116</u>	<u>\$ 70,830</u>	<u>\$ 9,756</u>	<u>\$ 120,659</u>	<u>\$ 808,704</u>

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

June 30, 2019

	Central Garage	Medical Insurance Fund	Totals
Assets			
Current Assets			
Accounts receivable	\$ 27,442	\$ -	\$ 27,442
Materials and supplies, at average cost	50,266		50,266
Total current assets	<u>77,708</u>	<u>-</u>	<u>77,708</u>
Noncurrent Assets			
Buildings	225,000		225,000
Machinery and equipment	246,815		246,815
Accumulated depreciation	(351,056)		(351,056)
Restricted assets	-	503,050	503,050
Total noncurrent assets	<u>120,759</u>	<u>503,050</u>	<u>623,809</u>
Total assets	<u>198,467</u>	<u>503,050</u>	<u>701,517</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	70,057		70,057
Deferred outflows related to OPEB	24,236		24,236
Total deferred outflows	<u>94,293</u>	<u>-</u>	<u>94,293</u>
Liabilities			
Current liabilities			
Accounts payable	27,822	182,359	210,181
Accrued liabilities	1,860		1,860
Accrued salaries	31,058		31,058
Due to other funds	169,214		169,214
Accrued claims incurred but not reported		245,403	245,403
Total current liabilities	<u>229,954</u>	<u>427,762</u>	<u>657,716</u>
Long-term Liabilities			
Net pension liability	272,297		272,297
Net OPEB liability	79,378		79,378
Total noncurrent liabilities	<u>351,675</u>	<u>-</u>	<u>351,675</u>
Total liabilities	<u>581,629</u>	<u>427,762</u>	<u>1,009,391</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	36,699		36,699
Deferred inflows related to OPEB	17,402		17,402
Total deferred inflows	<u>54,101</u>	<u>-</u>	<u>54,101</u>
Net Position			
Investment in capital assets	120,759		120,759
Restricted		503,050	503,050
Unrestricted	(463,729)	(427,762)	(891,491)
Total net position	<u>\$ (342,970)</u>	<u>\$ 75,288</u>	<u>\$ (267,682)</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2019

	Central Garage	Medical Insurance Fund	Totals
Operating Revenues			
Charges for interfund services	\$ 584,905		\$ 584,905
Contributions to fund		1,559,452	1,559,452
Total operating revenues	<u>584,905</u>	<u>1,559,452</u>	<u>2,144,357</u>
Operating Expenses			
Depreciation	15,305		15,305
Parts rebilled	107,872		107,872
Petroleum products	224,914		224,914
Other garage expenses	296,783		296,783
Claims paid		1,650,040	1,650,040
Administrative costs		437,264	437,264
Wellness incentives		9,595	9,595
Total operating expenses	<u>644,874</u>	<u>2,096,899</u>	<u>2,741,773</u>
Operating income (loss)	(59,969)	(537,447)	(597,416)
Non-Operating Revenues (Expenses)			
Interest and dividend income		16,886	16,886
Change in net position	<u>(59,969)</u>	<u>(520,561)</u>	<u>(580,530)</u>
Net position-beginning of year	(283,001)	595,849	312,848
Net position-end of year	<u>\$ (342,970)</u>	<u>\$ 75,288</u>	<u>\$ (267,682)</u>

CITY OF MURRAY, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2019

	Central Garage	Medical Insurance Fund	Totals
Cash Flows From Operating Activities			
Cash paid to suppliers	\$ (337,403)	-	\$ (337,403)
Cash paid to employees	(201,897)	(9,595)	(211,492)
Cash received for premiums		1,559,452	1,559,452
Cash paid for claims		(1,479,612)	(1,479,612)
Cash paid for administrative expenses		(437,264)	(437,264)
Cash received from interfund services provided	587,919		587,919
Net cash provided (used) by operating activities	<u>48,619</u>	<u>(367,019)</u>	<u>(318,400)</u>
Cash Flow From Capital and Related Financing Activities			
Purchase of capital assets	(48,619)		(48,619)
Net cash (used) by capital and related financing activities	<u>(48,619)</u>	<u>-</u>	<u>(48,619)</u>
Cash Flow From Investing Activities			
Interest and dividends		16,886	16,886
Net cash provided by investing activities	<u>-</u>	<u>16,886</u>	<u>16,886</u>
Net increase (decrease) in cash and cash equivalents	-	(350,133)	(350,133)
Cash and cash equivalents-beginning		853,183	853,183
Cash and cash equivalents-ending	<u>\$ -</u>	<u>\$ 503,050</u>	<u>\$ 503,050</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (59,969)	\$ (537,447)	\$ (597,416)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	15,305		15,305
Pension/OPEB expense	55,192		55,192
(Increase) Decrease in operating assets:			
Accounts receivable	3,014		3,014
Material and supplies	(1,073)		(1,073)
Increase (Decrease) in operating liabilities:			
Accounts payable	9,354		9,354
Accrued expenses	1,293	170,428	171,721
Due to other funds	25,503		25,503
Net cash provided by operating activities	<u>\$ 48,619</u>	<u>\$ (367,019)</u>	<u>\$ (318,400)</u>

CITY OF MURRAY, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Total Federal Expenditures</u>
U.S. Department of Transportation			
Passed-Through Kentucky Transportation Cabinet:			
Highway Planning and Construction	20.205	\$ 3,460,000	\$ 191,933
State and Community Highway Safety	20.616	<u>13,000</u>	<u>5,734</u>
Total U.S. Department of Transportation		<u>3,473,000</u>	<u>197,667</u>
U.S. Environmental Protection Agency			
Revolving Loan Program with Kentucky Infrastructure Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	** <u>\$ 61,515,000</u>	<u>1,829,256</u>
Total Expenditures of Federal Awards		<u>\$ 64,988,000</u>	<u>\$ 2,026,923</u>

** Major Program

CITY OF MURRAY, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Murray, Kentucky, under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Murray, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Murray, Kentucky.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - IN-DIRECT COST RATE

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

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Murray, Kentucky's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Murray, Kentucky'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 of Murray, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Murray, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 of Murray, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

ROMAINE & TOWERLY

Certified Public Accountants
Mayfield, Kentucky
December 10, 2019

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Murray, Kentucky's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City of Murray, Kentucky's major federal programs for the year ended June 30, 2019. The City of Murray, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Murray, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance (Continued)

Report on Internal Control over Compliance (Continued)

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murray, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Murray, Kentucky's basic financial statements. We issued our report thereon dated December 10, 2019 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

ROMAINE & TOWERY

Certified Public Accountants
Mayfield, Kentucky
December 10, 2019

CITY OF MURRAY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2019

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

Section II- Financial Statement Findings

No Matters were reported

Section III- Federal Award Findings and Questioned Costs

No Matters were reported

Section IIII- Prior Year Financial Statement Findings

No Matters were reported

Section V- Prior Year Federal Award Findings and Questioned Costs

No Matters were reported