

CITY OF DANVILLE
Danville, Kentucky

FINANCIAL STATEMENTS
June 30, 2020

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-8
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12
Statement of Net Position - Proprietary Funds.....	13
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15
Statement of Net Position - Fiduciary Funds.....	16
Statement of Changes in Net Position - Fiduciary Funds	17
Notes to Financial Statements	18-50
Required Supplementary Information	
Budgetary Comparisons	51-55
Police and Firefighters' Retirement Fund	
Schedule of Net Pension Liability and Related Ratios	56
Schedule of Contributions	57
Schedule of Investment Returns	58
CERS	
Proportionate Share of the Net Pension Liability - Nonhazardous.....	59
Schedule of Pension Contributions - Nonhazardous	60
Proportionate Share of the Net Pension Liability - Hazardous.....	61
Schedule of Pension Contributions - Hazardous.....	62
Proportionate Share of the Net OPEB Liability - Nonhazardous.....	63
Schedule of OPEB Contributions - Nonhazardous	64
Proportionate Share of the Net OPEB Liability - Hazardous.....	65
Schedule of OPEB Contributions - Hazardous.....	66
Notes to Required Supplementary Information	67-68
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	70
Combining Statement of Net Position - Nonmajor Proprietary Funds.....	71
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Proprietary Funds	72
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73-74
Single Audit Reporting	
Schedule of Expenditures of Federal Awards	75
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	76-77
Schedule of Findings and Questioned Costs	78-79



INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Commissioners
City of Danville, Kentucky

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 Danville, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Danville, Kentucky, as of June 30, 2020, 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, pension and OPEB schedules and budgetary comparison information on pages 3–8 and 51–66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danville, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2021, on our consideration of the City of Danville, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Danville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Danville, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
August 9, 2021

City of Danville, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2020

The management team for the City of Danville presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2020. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

Financial Highlights

- As of June 30, 2020, the City's assets (page 9) exceeded liabilities by \$16,431,582 in Governmental activities. The Net Position is more than the past fiscal year due to projects that have been completed with prior funding in the current fiscal year. Scheduled debt amortization that is presented on Government-Wide Financial Statements has begun for finished projects along with increased pension liability with new OPEB liability calculations. The Net Pension Liability for June 30, 2020 is \$22,170,648 which is higher than last fiscal year due to the change in the State of Kentucky's overall figures. Allocations for the OPEB liability is \$5,685,146.
- Unrestricted cash and investment balances for Governmental activities (page 9) as of June 30, were \$24,574,545 and current liabilities payable from unrestricted resources (i.e. excluding principal and interest on long term debt and capital leases) were \$613,360.
- The net position for all funds increased by \$212,999 (page 10). This increase, \$1,378,815, is attributed to the net position decrease from business-type activities and \$1,591,814 is attributed to the net position increase from governmental activities.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$4,445,332 to a total of \$29,650,438 (page 12). The primary reasons for the increase in fund balances in the governmental funds are the same as those noted above related to the increase in net assets. Of the total fund balances in the governmental funds, \$25,275,231 (page 11) is unassigned and available for future programs and it is used to meet the reserve requirements per city ordinance but, it also includes money borrowed and invested for the build of the new central fire station.
- The City has debt and pension liabilities of \$43,027,159 in Governmental Funds and \$58,311,978 in Business-type Funds at June 30, 2020. The City did issue new debt during the fiscal year ended June 30, 2020. The 2020A general obligation bonds were issued in the amount of 12,050,000. In fiscal year 2018, the city started a leasing program for passenger vehicles with is stated capital leases on the financial statements.

Overview of Financial Statements

This discussion and analysis is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

Government-wide Financial Statements - The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The Statement of Net Position presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Per new GASB regulations, the City has shown the Net Pension Liability and OPEB Liability on the Government-wide Financial Statements.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, streets, police, fire, recreation and community programs. Business-type activities include the water and sewer utilities, the garbage, the cemetery, the museum, the storm water, and the parking funds.

The government-wide statements are found on pages 9 and 10 of this report.

Fund financial statements - Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Danville, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

Governmental funds - Funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 11 and 12 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

The City maintains ten individual governmental funds. Major governmental funds include the General Fund and the Municipal Road Aid Fund.

The larger funds are presented on pages 11 and 12 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 65 and 66. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with Kentucky Revised Statutes Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information beginning on page 59.

Proprietary funds - The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The utilities, parking, and storm water fund are presented as major funds on pages 13 through 15. The other funds are presented in combining statements for the non-major funds on pages 66 and 67.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the financial statements - Notes provide additional information that are essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City's financial statements and are presented on pages 18 through 50.

Other information - This section of the report includes two types of supplementary information. *Required Supplementary Information* (pages 51 through 68) must be included to conform to generally accepted accounting principles. Management's Discussion and Analysis is classified as *Required Supplementary Information*. In addition, the Schedule of Net Pension and OPEB Liability and Related Ratios, the Schedule of Contributions, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the City's police & fire pension fund.

Other reports - The last section of this report includes the Independent Auditor's Report on Internal Control (pages 73 through 74). The Schedule of Expenditures of Federal Awards (page 75) and the Independent Auditors Report on Compliance required by the Uniform Guidance with required schedule (pages 76 through 79).

Government-Wide Financial Analysis

The first statement in the government-wide statements is the Statement of Net Position. Let's review some of the more important issues in this statement. The following table summarizes the Statement of Net Position (page 9).

Net Assets of Governmental and Business-type Activities (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 32,111	\$ 35,959	\$ 10,943	\$ 19,356	\$ 43,054	\$ 55,315
Capital assets	25,700	25,648	71,280	70,491	96,980	96,139
Total assets and deferred outflows	57,811	61,607	82,223	89,847	140,034	151,454
Long-term debt outstanding	19,616	19,501	44,048	52,674	63,664	72,175
Other liabilities	23,356	25,674	6,525	6,902	29,881	32,576
Total liabilities and deferred outflows	42,972	45,175	50,573	59,576	93,545	104,751
Net position:						
Net investment in capital assets	6,084	6,147	27,232	17,943	33,316	24,090
Restricted	3,171	3,089	3,380	3,787	6,551	6,876
Unrestricted (deficit)	5,584	7,196	1,038	8,541	6,622	15,737
Total Net Position	\$ 14,839	\$ 16,432	\$ 31,650	\$ 30,271	\$ 46,489	\$ 46,703

The City's net position invested in capital assets net of debt is considerably less in the current fiscal year in relation to the prior year (28%). This reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. This percentage is less than the prior year due to the construction project of the central fire station just began but the funds have been borrowed. The amount in restricted net position is also due to construction projects being finished. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$6.9 million of the City's net position (page 9) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures including the remaining financing for on-going projects.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

Change in Net Position of Governmental and Business-type Activities (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 11,498	\$ 11,541	\$ 11,498	\$ 11,541
Operating grants and contributions	313	1,595			313	1,595
Capital grants and contributions	620	329	376	154	996	483
General revenues:						
Property taxes	1,933	2,096			1,933	2,096
License fees and permits	14,599	13,848			14,599	13,848
Penalties and forfeits	17	12			17	12
Management fees	1,110	1,148			1,110	1,148
Other	990	1,108	52		1,042	1,108
Total Revenues	19,582	20,137	11,926	11,695	31,508	31,831
	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Program Expenses:						
General Government	3,160	3,460			3,160	3,460
Public Safety	10,370	10,788			10,370	10,788
Public Services	2,033	2,009			2,033	2,009
Community Services	1,006	1,097			1,006	1,097
Debt Service	711	721			711	721
Utilities			10,028	11,213	10,028	11,213
Garbage operations			1,045	1,098	1,045	1,098
Cemetery operations			214	205	214	205
Museum operations			39	43	39	43
Parking operations			294	347	294	347
Storm water			555	649	555	649
Total Expenses	17,280	18,075	12,175	13,556	29,455	31,631
Excess (deficiency) before transfers and special items	2,302	2,062	(249)	(1,859)	2,053	201
Gain (Loss) sale	(16)	12			(16)	12
Transfers	(395)	(481)	395	481		
Increase (decrease) in net assets	\$ 1,891	\$ 1,593	\$ 146	(\$1,378)	\$ 2,037	\$ 213

\$15.9 million of the governmental services are financed with property taxes and license fees.

Governmental activities increased the City's net position by \$1.6 million. The primary reason for the increase is due to City receiving CARES act money in response to the COVID-19 pandemic.

Business-type activities decreased the City's net position by \$1.4 million. This decrease is net of depreciation expense of \$2.4 million (a non-cash item).

Financial Analysis of the Government's Funds

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

Governmental funds - Financial information for the City's governmental funds is summarized on pages 11 and 12. Governmental fund balances increased \$4.4 million. The reasons for this increase were addressed earlier in this report.

Non-major funds include Police Safety, Drug Forfeiture, Hazard Mitigation, Streetscape, Toy Program, Cemetery Trusts, and Park Trust funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 69 and 70.

Proprietary funds - The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Governmental Funds Budgetary Highlights

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

Capital Asset and Debt Administration

The City invests substantial resources in capital assets that support the services provided to the public. Most of the City's outstanding bonds and capital leases have been used to acquire or construct capital assets.

Capital Assets

The City's capital assets, net of accumulated depreciation are summarized below:

<u>City of Danville, Kentucky Capital Assets (net of depreciation)</u>			
	Governmental Activities	Business- Type Activities	Total
Land	\$ 4,533,781	\$ 1,534,850	\$ 6,068,631
Buildings	8,003,243	32,134,609	40,137,852
Improvements other than buildings	1,367,509	229,961	1,597,470
Vehicles	909,388	224,022	1,133,410
Equipment	2,831,630	220,562	3,052,192
Infrastructure	7,257,658	33,003,728	40,261,386
Construction in progress	744,467	3,143,336	3,887,803
Total	<u>\$ 25,647,676</u>	<u>\$ 70,491,068</u>	<u>\$ 96,138,744</u>

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

Several utility projects are still in process.

Long-Term Debt

The principal outstanding on the City's long-term debt is summarized in the following table. (Excluding deferred amounts and leases)

City of Danville's Outstanding Debt

	Governmental Activities	Business- Type Activities	Total
KLC Funding Trust	\$ 3,599,064	\$	\$ 3,599,064
Series 2012 GO Bonds	3,430,000		3,430,000
Ky. Bond Corporation-Lease	280,000	435,000	715,000
Series 2014 GO Bonds (A&C)		3,425,000	3,425,000
Series 2017 GO Bonds (A&B)	1,072,104	9,756,861	10,828,965
Series 2018 GO Bonds	9,790,000		9,790,000
Series 2014A Bonds		255,000	255,000
Series 2015 Bonds (A&B)		12,990,000	12,990,000
Series 2020A Bonds		12,050,000	12,050,000
Series 2010 Build America Bond		527,500	527,500
KIA Loan – Water Treatment Plant		10,779,104	10,779,104
Total	\$ <u>18,171,168</u>	\$ <u>50,254,501</u>	\$ <u>68,389,633</u>

The City's long-term debt increased by \$8,002,348 during the fiscal year, with the issue of the 2020A Bonds.

Economic Factors and Next Year's Budget

The City continued into fiscal year 2021 on several of the projects commenced in fiscal year 2020.

City management continues to monitor the impact of COVID-19 on the financials of the city.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Danville, Kentucky, 445 West Main Street, Danville, KY 40422, and telephone number (859) 238-1200.

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 17,156,587	\$ 12,341,616	\$ 29,498,203
Investments	7,417,958	123,967	7,541,925
Receivables, net	2,594,721	1,276,829	3,871,550
Inventory, at cost	-	206,157	206,157
Prepaid expenses and other current assets	5,295	-	5,295
Total current assets	27,174,561	13,948,569	41,123,130
Non-current assets			
Restricted cash and cash equivalents	3,089,237	3,301,095	6,390,332
Restricted investments	-	486,119	486,119
Nondepreciable capital assets	5,278,248	4,678,186	9,956,434
Depreciable capital assets, net	20,369,428	65,812,882	86,182,310
Total non-current assets	28,736,913	74,278,282	103,015,195
Total assets	55,911,474	88,226,851	144,138,325
DEFERRED OUTFLOWS OF RESOURCES			
Defeasance on refunding	-	36,410	36,410
Deferred outflows - police and firefighters' retirement	25,668	-	25,668
Deferred outflows - pension	3,799,616	1,078,498	4,878,114
Deferred outflows - OPEB	1,870,103	505,526	2,375,629
Total deferred outflows of resources	5,695,387	1,620,434	7,315,821
Total assets and deferred outflows of resources	\$ 61,606,861	\$ 89,847,285	\$ 151,454,146
LIABILITIES			
Current liabilities			
Accounts payable	\$ 341,710	\$ 660,417	\$ 1,002,127
Accrued payroll and benefits	229,309	99,045	328,354
Deposits	11,304	24,600	35,904
Current portion of compensated absences	31,037	31,873	62,910
Accrued interest payable	-	417,550	417,550
Current portion of capital leases	228,089	171,501	399,590
Current portion of bonds and notes payable	478,190	1,466,812	1,945,002
Total current liabilities	1,319,639	2,871,798	4,191,437
Non-current liabilities			
Bonds and notes payable, net of current portion	18,167,300	50,089,707	68,257,007
Capital leases, net of current portion	627,481	402,675	1,030,156
Net pension liability - CERS	17,620,521	4,550,127	22,170,648
Net pension liability - police and firefighters' retirement	1,063,153	-	1,063,153
Net OPEB liability - CERS	4,597,260	1,087,886	5,685,146
Compensated absences, net of current portion	214,128	93,847	307,975
Total non-current liabilities	42,289,843	56,224,242	98,514,085
Total liabilities	43,609,482	59,096,040	102,705,522
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - police and firefighters' retirement	17,425	-	17,425
Deferred inflows - pension	280,916	92,737	373,653
Deferred inflows - OPEB	1,267,456	387,563	1,655,019
Total deferred inflows of resources	1,565,797	480,300	2,046,097
NET POSITION			
Net investment in capital assets	6,146,616	17,942,823	24,089,439
Restricted	3,089,237	3,787,214	6,876,451
Unrestricted	7,195,729	8,540,908	15,736,637
Total net position	16,431,582	30,270,945	46,702,527
Total liabilities, deferred inflows of resources, and net position	\$ 61,606,861	\$ 89,847,285	\$ 151,454,146

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 3,460,328	\$ -	\$ 1,276,188	\$ -	\$ (2,184,140)	\$ -	\$ (2,184,140)
Public services	2,009,195	-	-	329,121	(1,680,074)	-	(1,680,074)
Public safety	10,787,991	-	319,793	-	(10,468,198)	-	(10,468,198)
Community services	1,097,192	-	-	-	(1,097,192)	-	(1,097,192)
Interest on long-term debt	720,715	-	-	-	(720,715)	-	(720,715)
Total governmental activities	18,075,421	-	1,595,981	329,121	(16,150,319)	-	(16,150,319)
Business-type activities							
Utilities	11,212,815	9,579,561	-	153,530	-	(1,479,724)	(1,479,724)
Parking	346,904	276,496	-	-	-	(70,408)	(70,408)
Garbage	1,098,058	1,000,609	-	-	-	(97,449)	(97,449)
Cemetery	205,466	84,583	-	-	-	(120,883)	(120,883)
Museum	43,322	-	-	-	-	(43,322)	(43,322)
Storm water	648,265	599,740	-	-	-	(48,525)	(48,525)
Total business-type activities	13,554,830	11,540,989	-	153,530	-	(1,860,311)	(1,860,311)
Total primary government	\$ 31,630,251	\$ 11,540,989	\$ 1,595,981	\$ 482,651	(16,150,319)	(1,860,311)	(18,010,630)
General revenues							
Taxes					2,095,533	-	2,095,533
Licenses and fees					13,847,612	-	13,847,612
Fines and forfeitures					12,157	-	12,157
Management fees					1,148,067	-	1,148,067
Other					1,107,882	-	1,107,882
Total general revenues					18,211,251	-	18,211,251
Gain (loss) on disposal of capital assets					12,378	-	12,378
Transfers in (out)					(481,496)	481,496	-
Total general revenues and transfers					17,742,133	481,496	18,223,629
Change in net position					1,591,814	(1,378,815)	212,999
Net position, beginning of year					14,839,768	31,649,760	46,489,528
NET POSITION, END OF YEAR					\$ 16,431,582	\$ 30,270,945	\$ 46,702,527

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

CITY OF DANVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Municipal Road Aid Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,959,808	\$ 924,989	\$ 361,027	\$ 20,245,824
Investments	7,411,685	-	6,273	7,417,958
Receivables, net	2,592,751	-	1,970	2,594,721
Prepaid expenses and other assets	5,295	-	-	5,295
	<u>28,969,539</u>	<u>924,989</u>	<u>369,270</u>	<u>30,263,798</u>
Total assets	<u>\$ 28,969,539</u>	<u>\$ 924,989</u>	<u>\$ 369,270</u>	<u>\$ 30,263,798</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 328,126	\$ -	\$ 13,584	\$ 341,710
Accrued payroll and benefits	229,309	-	-	229,309
Deposits	11,304	-	-	11,304
Compensated absences	31,037	-	-	31,037
	<u>599,776</u>	<u>-</u>	<u>13,584</u>	<u>613,360</u>
Total liabilities	<u>599,776</u>	<u>-</u>	<u>13,584</u>	<u>613,360</u>
Fund balance				
Nonspendable	5,295	-	-	5,295
Restricted	3,089,237	924,989	31,221	4,045,447
Assigned	-	-	324,465	324,465
Unassigned	25,275,231	-	-	25,275,231
	<u>28,369,763</u>	<u>924,989</u>	<u>355,686</u>	<u>29,650,438</u>
Total fund balance	<u>28,369,763</u>	<u>924,989</u>	<u>355,686</u>	<u>29,650,438</u>
Total liabilities and fund balance	<u>\$ 28,969,539</u>	<u>\$ 924,989</u>	<u>\$ 369,270</u>	<u>\$ 30,263,798</u>
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balance reported above				\$ 29,650,438
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				25,647,676
Long-term liabilities, including bonds and notes payable, net pension/OPEB liability, capital leases, and accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds.				(42,996,122)
Net deferred inflows/outflows related to the long-term pension/OPEB liability are not reported in the funds.				4,129,590
Net position of governmental activities				<u>\$ 16,431,582</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2020

	General Fund	Municipal Road Aid Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,095,533	\$ -	\$ -	\$ 2,095,533
Licenses and fees	13,847,612	-	-	13,847,612
Intergovernmental revenue	1,589,235	329,121	6,746	1,925,102
Fines and forfeitures	8,963	-	3,194	12,157
Other revenues	<u>2,216,248</u>	<u>14,487</u>	<u>25,214</u>	<u>2,255,949</u>
Total revenues	<u>19,757,591</u>	<u>343,608</u>	<u>35,154</u>	<u>20,136,353</u>
EXPENDITURES				
Current operating				
General government	2,543,361	-	-	2,543,361
Public services	1,541,830	76,225	-	1,618,055
Public safety	7,324,399	-	54,771	7,379,170
Community services	1,068,988	-	28,204	1,097,192
Debt service	1,329,244	-	-	1,329,244
Capital outlay	<u>1,268,528</u>	<u>4,518</u>	<u>478,698</u>	<u>1,751,744</u>
Total expenditures	<u>15,076,350</u>	<u>80,743</u>	<u>561,673</u>	<u>15,718,766</u>
Excess (deficiency) of revenues over expenditures	4,681,241	262,865	(526,519)	4,417,587
Other financing sources (uses):				
Transfers (to) from other funds	(982,175)	175,000	325,679	(481,496)
Proceeds from capital leases	<u>509,241</u>	<u>-</u>	<u>-</u>	<u>509,241</u>
Total other financing sources (uses)	<u>(472,934)</u>	<u>175,000</u>	<u>325,679</u>	<u>27,745</u>
Net change in fund balance	4,208,307	437,865	(200,840)	4,445,332
Fund balance, beginning of year	<u>24,161,456</u>	<u>487,124</u>	<u>556,526</u>	<u>25,205,106</u>
FUND BALANCE, END OF YEAR	<u>\$ 28,369,763</u>	<u>\$ 924,989</u>	<u>\$ 355,686</u>	<u>\$ 29,650,438</u>

Reconciliation to government-wide change in net position:

Net change in fund balances	\$ 4,445,332
add: capital outlay expenditures capitalized	1,751,744
add: debt service expenditures	1,329,244
add: gain on disposal of capital assets	12,378
less: proceeds from capital leases	(509,241)
less: depreciation on governmental activities assets	(1,651,437)
less: amortization of deferred bond cost	(19,165)
less: interest on long-term debt	(720,715)
change in net pension liability - CERS	(2,526,727)
change in net OPEB liability - CERS	(318,101)
change in net pension liability - police & firefighters' retirement	(228,810)
change in long-term compensated absences	<u>27,312</u>
Change in net position of governmental activities	<u>\$ 1,591,814</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
ASSETS					
Current assets					
Cash and cash equivalents	\$ 10,627,807	\$ 116,925	\$ 1,140,834	\$ 456,050	\$ 12,341,616
Investments	-	-	-	123,967	123,967
Accounts receivable, net	1,061,807	57,297	59,240	98,485	1,276,829
Inventory, at cost	206,157	-	-	-	206,157
Total current assets	11,895,771	174,222	1,200,074	678,502	13,948,569
Non-current assets					
Restricted cash and cash equivalents	3,277,467	-	23,628	-	3,301,095
Restricted investments	486,119	-	-	-	486,119
Nondepreciable capital assets	3,510,655	877,681	186,715	103,135	4,678,186
Depreciable capital assets, net	57,932,140	5,764,734	1,735,619	380,389	65,812,882
Total non-current assets	65,206,381	6,642,415	1,945,962	483,524	74,278,282
Total assets	77,102,152	6,816,637	3,146,036	1,162,026	88,226,851
DEFERRED OUTFLOWS OF RESOURCES					
Defeasance on refunding	-	36,410	-	-	36,410
Deferred outflows - pension	953,790	16,833	78,722	29,153	1,078,498
Deferred outflows - OPEB	447,071	7,890	36,900	13,665	505,526
Total deferred outflows of resources	1,400,861	61,133	115,622	42,818	1,620,434
Total assets and deferred outflows of resources	\$ 78,503,013	\$ 6,877,770	\$ 3,261,658	\$ 1,204,844	\$ 89,847,285
LIABILITIES					
Current liabilities					
Accounts payable	\$ 541,602	\$ 2,487	\$ 10,057	\$ 106,271	\$ 660,417
Accrued payroll and benefits	90,868	1,053	4,897	2,227	99,045
Deposits	24,600	-	-	-	24,600
Current portion of compensated absences	31,279	10	552	32	31,873
Current portion of capital leases	145,859	-	14,491	11,151	171,501
Accrued interest payable	397,676	11,180	8,146	548	417,550
Current portion of bonds and notes payable	1,262,422	168,025	35,000	1,365	1,466,812
Total current liabilities	2,494,306	182,755	73,143	121,594	2,871,798
Non-current liabilities					
Bonds and notes payable, net of current portion	46,127,056	3,524,986	400,000	37,665	50,089,707
Capital leases, net of current portion	337,349	-	27,475	37,851	402,675
Net pension liability - CERS	4,023,990	71,018	332,124	122,995	4,550,127
Net OPEB liability - CERS	962,092	16,980	79,407	29,407	1,087,886
Compensated absences, net of current portion	82,553	197	10,488	609	93,847
Total non-current liabilities	51,533,040	3,613,181	849,494	228,527	56,224,242
Total liabilities	54,027,346	3,795,936	922,637	350,121	59,096,040
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	82,014	1,447	6,769	2,507	92,737
Deferred inflows - OPEB	342,749	6,049	28,289	10,476	387,563
Total deferred inflows of resources	424,763	7,496	35,058	12,983	480,300
NET POSITION					
Net investment in capital assets	13,172,433	2,938,224	1,437,222	394,944	17,942,823
Restricted	3,763,586	-	23,628	-	3,787,214
Unrestricted	7,114,885	136,114	843,113	446,796	8,540,908
Total net position	24,050,904	3,074,338	2,303,963	841,740	30,270,945
Total liabilities, deferred inflows of resources, and net position	\$ 78,503,013	\$ 6,877,770	\$ 3,261,658	\$ 1,204,844	\$ 89,847,285

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2020

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
Operating revenues					
Water sales	\$ 4,611,940	\$ -	\$ -	\$ -	\$ 4,611,940
Water surcharge	87,480	-	-	-	87,480
Sewer charges	4,503,083	-	-	-	4,503,083
Connection fees	52,585	-	-	-	52,585
Parking rental fees	-	276,496	-	-	276,496
Other fees for services	-	-	599,740	1,085,192	1,684,932
Other revenues	324,473	-	-	-	324,473
Total operating revenues	9,579,561	276,496	599,740	1,085,192	11,540,989
Operating expenses					
Water	5,361,246	-	-	-	5,361,246
Sewer	824,159	-	-	-	824,159
Perryville	184,982	-	-	-	184,982
Personnel	-	76,387	431,195	100,097	607,679
Contractual	-	66,426	16,926	1,210,998	1,294,350
Management fees	1,075,794	-	72,275	-	1,148,069
Depreciation	2,052,519	199,830	91,219	35,945	2,379,513
Other operating expenses	456,344	4,261	36,650	(194)	497,061
Total operating expenses	9,955,044	346,904	648,265	1,346,846	12,297,059
Operating (loss)	(375,483)	(70,408)	(48,525)	(261,654)	(756,070)
Non-operating revenues (expenses)					
Grants	153,530	-	-	-	153,530
Interest expense	(1,094,012)	(106,004)	(24,517)	(13,948)	(1,238,481)
Bond issuance cost	(266,837)	-	-	-	(266,837)
Other non-operating revenues (expenses)	199,053	2,524	33,781	12,189	247,547
Total non-operating revenues (expenses)	(1,008,266)	(103,480)	9,264	(1,759)	(1,104,241)
(Loss) before transfers	(1,383,749)	(173,888)	(39,261)	(263,413)	(1,860,311)
Transfers from other funds	-	155,138	-	326,358	481,496
Change in net position	(1,383,749)	(18,750)	(39,261)	62,945	(1,378,815)
Net position, beginning of year	25,434,653	3,093,088	2,343,224	778,795	31,649,760
NET POSITION, END OF YEAR	\$ 24,050,904	\$ 3,074,338	\$ 2,303,963	\$ 841,740	\$ 30,270,945

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2020

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Totals Funds	Totals
Cash flows from operating activities					
Receipts from customers	\$ 9,532,384	\$ 274,588	\$ 598,867	\$ 1,065,742	\$ 11,471,581
Payments to suppliers	(4,052,970)	(88,808)	(53,196)	(1,212,462)	(5,407,436)
Payments to employees	(2,709,783)	(44,170)	(357,316)	(93,525)	(3,204,794)
Payments to general fund for management services	(1,075,794)	-	(72,275)	-	(1,148,069)
Net cash provided by (used in) operating activities	<u>1,693,837</u>	<u>141,610</u>	<u>116,080</u>	<u>(240,245)</u>	<u>1,711,282</u>
Cash flows from noncapital financing activities					
Transfers (to) from other funds	-	155,138	-	326,358	481,496
Other revenues	<u>62,484</u>	<u>-</u>	<u>-</u>	<u>12,189</u>	<u>74,673</u>
Net cash provided by (used in) noncapital financing activities	<u>62,484</u>	<u>155,138</u>	<u>-</u>	<u>338,547</u>	<u>556,169</u>
Cash flows from capital and related financing activities					
Purchase of capital assets	(1,593,183)	(939)	(53,953)	(21,853)	(1,669,928)
Principal paid on notes and bonds	(3,386,244)	(163,827)	(35,000)	(1,502)	(3,586,573)
Interest paid on notes and bonds	(1,096,177)	(107,371)	(23,929)	-	(1,227,477)
Bond issuance cost	(266,837)	-	-	-	(266,837)
Principal paid on capital leases	(140,423)	-	(22,433)	(7,171)	(170,027)
Proceeds from bond issuance	12,239,249	-	-	-	12,239,249
Proceeds from disposal of capital assets	77,401	-	27,994	-	105,395
Capital grants	<u>153,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,530</u>
Net cash provided by (used in) capital and related financing activities	<u>5,987,316</u>	<u>(272,137)</u>	<u>(107,321)</u>	<u>(30,526)</u>	<u>5,577,332</u>
Cash flows from investing activities					
Net investment proceeds (purchases)	(7,662)	-	-	(3,930)	(11,592)
Interest and dividends	<u>136,569</u>	<u>2,524</u>	<u>16,902</u>	<u>-</u>	<u>155,995</u>
Net cash provided by (used in) investing activities	<u>128,907</u>	<u>2,524</u>	<u>16,902</u>	<u>(3,930)</u>	<u>144,403</u>
Net increase (decrease) in cash and cash equivalents	<u>7,872,544</u>	<u>27,135</u>	<u>25,661</u>	<u>63,846</u>	<u>7,989,186</u>
Cash and cash equivalents, beginning of year	<u>6,032,730</u>	<u>89,790</u>	<u>1,138,801</u>	<u>392,204</u>	<u>7,653,525</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 13,905,274</u>	<u>\$ 116,925</u>	<u>\$ 1,164,462</u>	<u>\$ 456,050</u>	<u>\$ 15,642,711</u>
Reconciliation of operating (loss) to net cash provided by operating activities					
Operating (loss)	\$ (375,483)	\$ (70,408)	\$ (48,525)	\$ (261,654)	\$ (756,070)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,052,519	199,830	91,219	35,945	2,379,513
Net pension adjustments	553,260	26,201	63,848	10,819	654,128
Net OPEB adjustments	40,196	5,880	9,039	(687)	54,428
Change in assets and liabilities:					
Accounts receivable	(46,377)	(1,908)	(873)	(19,450)	(68,608)
Inventory	(14,117)	-	-	-	(14,117)
Accounts payable	(540,746)	(18,121)	380	(1,658)	(560,145)
Accrued expenses	29,825	(71)	288	158	30,200
Customer deposits	(800)	-	-	-	(800)
Compensated absences	(4,440)	207	704	(3,718)	(7,247)
Net cash provided by (used in) operating activities	<u>\$ 1,693,837</u>	<u>\$ 141,610</u>	<u>\$ 116,080</u>	<u>\$ (240,245)</u>	<u>\$ 1,711,282</u>
Supplemental disclosure of cash flow information:					
Noncash capital and related financing activities:					
Capital assets purchased with capital leases	\$ -	\$ -	\$ -	\$ 56,173	\$ 56,173

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	<u>Police and Firefighter's Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 89,615
Investments	<u>741,416</u>
TOTAL ASSETS	<u><u>\$ 831,031</u></u>
NET POSITION	
Net position held in trust for pension benefits	<u>\$ 831,031</u>
TOTAL NET POSITION	<u><u>\$ 831,031</u></u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
for the year ended June 30, 2020

	Police and Firefighter's Pension Fund
Additions	
Employers contributions	\$ 135,000
Interest and dividends	30,249
Realized gains (loss) on investments	35,091
Unrealized gains (loss) on investments	<u>(39,877)</u>
 Total additions	 <u>160,463</u>
 Deductions	
Benefit payments	162,390
Investment expense	<u>3,289</u>
 Total deductions	 <u>165,679</u>
 Change in net position	 <u>(5,216)</u>
 Net position, beginning of year	 <u>836,247</u>
 NET POSITION, END OF YEAR	 <u><u>\$ 831,031</u></u>

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Danville, Kentucky (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Danville, Kentucky, is a municipal corporation operating as a "City Manager Plan Government" as provided by Kentucky Revised Statutes 83A.150. The City which is governed by an elected five member Board of Commissioners possesses all powers enumerated under KRS 83A.150 as well as KRS 82.082 - the home rule statute. The City has evaluated various organizations with which it is related and determined that there are no component units as defined by GASB. Therefore, there are no component units included in the City's reporting entity.

B. Related Organizations

The City's officials are responsible for appointing the members of the Boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City's Mayor, with the consent of the City Board of Commissioners, appoints the board members of the Housing Authority of Danville, the Parking Authority of Danville, and the Danville Urban Renewal and Community Development Agency.

C. Jointly Governed Organizations

The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission (DBCPZC). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$75,000 for an operating grant to the DBCPZC for the year ended June 30, 2020.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board (DBCAB). The board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$15,000 for an operating grant to the DBCAB for the year ended June 30, 2020.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Parks and Recreation Board (DBCPRB). The board is comprised of three members from the City of Danville, three members from Boyle County, and one member appointed jointly by the City of Danville and Boyle County. The City appropriated \$304,390 for an operating grant to the DBCPRB for the year ended June 30, 2020.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission (DBCTC). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2020.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

E. Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when the liability has matured, with the exception of interest and principal which are recognized as expenditures when funds are transferred to the debt service fund to make payments due shortly after the fiscal year end.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenue, and charges for services are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, net profit tax revenues and special assessments are considered to be measurable and available only when cash is received by the City.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation, continued

Funds are classified into these categories: governmental, proprietary and fiduciary.

Major Governmental Funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Road Aid Fund accounts for the use of state road aid funding. The primary service is to provide major road repairs and repaving.

Major Proprietary Funds:

The Utilities Fund accounts for the activities of the water and sewer services provided to the residents of the City and the surrounding areas.

The Parking Fund accounts for the operation of the City's parking facilities (parking spaces, lots, and parking garage).

The Storm Water Fund accounts for operation and maintenance of the City's infrastructure such as inlets, pipes, culverts, and detention basins.

Additionally, the City reports the following fiduciary fund types:

The pension trust fund accounts for the activities of the Police and Firefighter's Retirement Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments from the Utilities Fund to the General Fund to compensate the General Fund for administrative services provided to the Utilities Fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the parking fund are parking space rental fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Kentucky Revised Statute 95.610 expands the above list of allowable investments for pension trust funds to include corporate notes and equity securities, real estate mortgages, real estate, and life insurance annuity and endowment contracts.

All investments are reported at fair value.

Certain cash and investment amounts are classified on the statement of net position as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purpose.

For the purpose of the statement of cash flows, the City considers cash equivalents to be highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

G. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for un-collectibles. The property tax receivable allowance is based on varying percentages depending on the age of the receivable.

H. Inventories

All inventories are valued at cost using the first-in first-out (FIFO) method.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted Assets

Certain resources set aside for the repayment of the Utilities Fund debt have been classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets have been accounted for in accordance with the provisions of the Utilities Fund revenue bond resolutions or with state or federal laws and regulations.

Debt Service Reserve - The City is required to set aside the lower of the maximum annual debt service, 125% of the average annual debt service, or 10% of the original net proceeds of the revenue bond issues. The City must continue deposits into the debt service reserve until the funds equal the amount required to retire all outstanding bonds and related accrued interest.

Depreciation Reserve - Revenue bond covenants require the City to set aside \$2,085 monthly until the 1967 and 2003 bonds are retired. The Depreciation Reserve may be used to provide funding for future improvements, extensions, additions or enlargements to the system. Any amount over \$500,000 in the depreciation fund may be used to redeem and retire bonds outstanding before maturity. Also, Kentucky Infrastructure Authority covenants require the City to transfer annually \$48,910 to a replacement reserve until \$489,100 is accumulated in the account.

In addition, the 2010 Rural Development Build America bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City's water system.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure, buildings, improvements, plant, equipment, and other capital assets of the government are depreciated using the straight line method over the following estimated useful lives.

Infrastructure	10-50 Years
Buildings	20-50 Years
Improvements	10-20 Years
Water and Sewer Distribution System	2-50 Years
Studies, Surveys, and Maps	2-10 Years
Machinery and Equipment	2-10 Years
Vehicles	3-10 Years

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

All non-public safety employees earn vacation leave at a rate of 5/6 of a day per month (80 hours per year) up to ten years of service, 1 1/4 days per month (120 hours per year) for greater than ten years of service, and 1 2/3 days per month (160 hours per year) for greater than twenty years of service. Public safety employees earn vacation leave at a rate of 1 1/4 days per month (120 hours per year) for police and 1 3/4 days per month (168 hours per year) for firefighters assigned to 24-hour shifts. The City personnel policy states that employees may accrue unlimited vacation leave. However, after the original probation period, any employee who terminates employment with the City shall be compensated for no more than 240 hours of accrued vacation leave (except the Fire Department employees assigned to 24-hour shifts may be compensated for no more than 336 hours). Any vacation hours above 240 shall be converted to sick leave upon retirement from the City of Danville.

All employees occupying established full-time positions with the City are granted 1 day (8 hours) sick leave per each full month of service, except that Fire Department employees assigned to 24-hour shifts shall accrue twelve hours credit for each month of service. Sick leave credit may be utilized by employees in 1/4 day increments when they are unable to perform their duties because of sickness or injury. Employees may accrue an unlimited amount of sick leave. Employees who terminate employment with the City are not compensated for accrued but unused sick leave, except that employees who retire and participate in the CERS retirement program immediately upon termination of employment, shall have the accrued but unused sick leave utilized to purchase additional retirement benefits on their behalf, based on a schedule as outlined in the City's personnel policies and procedures manual.

GASB requires employers to accrue a liability of future vacation, sick and other leave benefits that meet the following conditions:

- a.) The compensated absence relates to past employment service.
- b.) Payment of the compensation is probable.

The liability for these compensated absences is recorded as current and non-current debt in the government-wide statements and in the business-type fund statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts and premiums are deferred and amortized over the term of the related issues. Bonds payable are reported net of the applicable discounts and premiums.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions

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

N. Postemployment Benefits Other Than Pensions (OPEB)

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

O. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. Fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned - for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned - for the General Fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the City Manager to carry the intent of the City Commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. Capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the Statement of Activities. Capital outlay is replaced with depreciation expense. Capital lease and bond issuance revenues are added, while principal payments on long-term debt are eliminated from the operating costs.

Q. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through August 9, 2021, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2020, have not been evaluated by the City.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Kentucky Revised Statutes 91A.030 requires the preparation and adoption of an annual budget in the form of an appropriations ordinance before the City may expend any monies from any governmental or proprietary fund and prohibits expenditures or expenses in excess of appropriations. KRS further provides that the full amount of debt service be appropriated. All appropriations lapse at year-end.

To meet the legal requirements for appropriations, all budgets are presented on a modified accrual basis. For proprietary funds this means that certain capitalized receipts and disbursements are budgeted along with related revenue and expense, that depreciation, a non-cash expenditure, is not budgeted, and that the full amount of debt service is budgeted.

Under Kentucky Revised Statutes, all local government units are required to have a June 30 fiscal year-end. The City of Danville has a June 30 fiscal year-end.

Prior to May 1, the city manager obtains estimates of proposed expenditures from various division and department heads. The finance department staff prepares revenue estimates.

Prior to June 1, the city manager submits to the city commission a proposed budget for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments and in order to comply with various federal and state mandates.

Prior to June 30, the budget is legally enacted through passage of an ordinance by the city commission.

The City Manager is authorized to transfer budgeted amounts within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the city commission.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Formal budgetary integration is utilized as a management control device for all governmental fund types and proprietary funds.

An encumbrance system under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded is maintained. Encumbrances maintained at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are re-appropriated in the next budget year.

B. Property Taxes

The City bills and collects its property taxes through the Boyle County Sheriff's Office. The City elects to use annual property assessments prepared by the Boyle County Property Valuation Administrator. According to the Kentucky Revised Statutes, the assessment date for the City must conform to the January 1 assessment date of Boyle County.

For the year ended June 30, 2020, taxes were levied November 1, 2019 and were payable by December 31, 2019. A 10% penalty was imposed on all taxes delinquent as of January 1, 2020. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2020 delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 14.30 cents per \$100 on real property, 18.40 cents per \$100 on personal property, and 20.00 cents per \$100 on motor vehicles and personal watercraft for the fiscal year ended June 30, 2020, are within permissible limits under the above legislation.

3. CASH DEPOSITS AND INVESTMENTS

As of June 30, 2020, the City had the following investments and maturities:

PRIMARY GOVERNMENT (EXCEPT FIDUCIARY FUNDS)

Investment type	Fair Value	Investment Maturities in years			
		Less than 1	1-5	6-10	Over 10
U.S. Agencies	\$ 734,426	\$ 101,471	\$ 255,710	\$ 377,245	\$ -
Municipal Bonds	52,779	25,742	27,037	-	-
Money Market					
Mutual Funds	6,489,453	6,489,453	-	-	-
Certificates of Deposit	<u>751,386</u>	<u>-</u>	<u>771,386</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 8,028,044</u>	<u>\$ 6,616,666</u>	<u>\$ 1,034,133</u>	<u>\$ 377,245</u>	<u>\$ -</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a policy regarding interest rate risk.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Over 90% percent of the City's investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (AAA rated) and U.S. Agencies.

Custodial Credit Risk - Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be insured or collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third-party custodian.

As of June 30, 2020, the City's deposits were fully covered by federal depository insurance or by collateral held by the custodial banks in the City's name.

Total bank deposits	\$ 36,882,779
FDIC insured	(1,294,930)
Collateral held by pledging bank	<u>(37,261,503)</u>
(Over) collateralized	<u>\$ (1,673,654)</u>

As of June 30, 2020, the Police and Firefighter's Retirement Fund had the following restricted investments:

FIDUCIARY FUNDS

Investment type	Fair Value	Investment Maturities in years			
		Less than 1	1-5	6-10	Over 10
Corporate Bonds	\$ 156,276	\$ 30,116	\$ 93,021	\$ 33,139	\$ -
Mutual Funds	161,171	161,171	-	-	-
Foreign Equities	24,348	24,348	-	-	-
Alternative Investments	33,913	33,913	-	-	-
Domestic Equities	<u>365,708</u>	<u>365,708</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 741,416</u>	<u>\$ 615,256</u>	<u>\$ 93,021</u>	<u>\$ 33,139</u>	<u>\$ -</u>

Interest Rate Risk - The investment policies for the pension funds do not place limits on investment maturities. Eighty-five percent of the pension fund investments mature in less than one year and eleven percent matures in one to five years.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Over 90% of the pension fund investments are in A to BAA rated Corporate Bonds, eleven different Mutual Funds and eighteen different Domestic Equities.

Concentration of credit risk - The pension fund places no limit on the amount the fund may invest in any one issuer. The pension fund has 49% of its investments invested in common stock of eighteen companies. The remaining investments are concentrated as follows – 21% in corporate bonds, 22% in mutual funds, 5% in alternative investments and 3% in foreign equities.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Primary Government				
U.S. Agencies	\$ 734,426	\$ 734,426	\$ -	\$ -
Municipal bonds	52,779	-	52,779	-
Money market mutual funds	6,489,453	6,489,453	-	-
Certificates of Deposit	<u>751,386</u>	<u>751,386</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,028,044</u>	<u>\$ 7,975,265</u>	<u>\$ 52,779</u>	<u>\$ -</u>
Fiduciary Funds				
Corporate Bonds	\$ 156,276	\$ -	\$ 156,276	\$ -
Mutual Funds	161,171	161,171	-	-
Foreign Equities	24,348	24,348	-	-
Alternative Investments	33,913	-	33,913	-
Domestic Equities	<u>365,708</u>	<u>365,708</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 741,416</u>	<u>\$ 551,227</u>	<u>\$ 190,189</u>	<u>\$ -</u>

4. RECEIVABLES

Receivables at June 30, 2020 are as follows:

	General Fund	MRA Fund	Nonmajor Funds	Governmental Funds Total	
Governmental funds:					
Taxes	\$ 138,848	\$ -	\$ -	\$ 138,848	
Licenses and fees	1,213,437	-	-	1,213,437	
Intergovernmental	1,227,221	-	1,970	1,229,191	
Fines and forfeitures	1,609	-	-	1,609	
Other revenues	<u>15,981</u>	<u>-</u>	<u>-</u>	<u>15,981</u>	
Gross receivables	2,597,096	-	1,970	2,599,066	
Less: allowance for uncollectible	<u>(4,345)</u>	<u>-</u>	<u>-</u>	<u>(4,345)</u>	
Net receivables	<u>\$ 2,592,751</u>	<u>\$ -</u>	<u>\$ 1,970</u>	<u>\$ 2,594,721</u>	
	Utilities Fund	Parking Fund	Storm Water Fund	Nonmajor Funds	Proprietary Funds Total
Proprietary funds:					
Customers	\$ 1,824,474	\$ 61,796	\$ 167,820	\$ 214,682	\$ 2,268,772
Intergovernmental	<u>114,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,747</u>
Customers	1,939,221	61,796	167,820	214,68	2,383,519
Intergovernmental	<u>(877,414)</u>	<u>(4,499)</u>	<u>(108,580)</u>	<u>(116,197)</u>	<u>(1,106,690)</u>
Net receivables	<u>\$ 1,061,807</u>	<u>\$ 55,297</u>	<u>\$ 59,240</u>	<u>\$ 98,485</u>	<u>\$ 1,276,829</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,533,781	\$ -	\$ -	\$ 4,533,781
Construction in progress	<u>2,762,181</u>	<u>949,412</u>	<u>(2,967,126)</u>	<u>744,467</u>
Total	<u>7,295,962</u>	<u>949,412</u>	<u>(2,967,126)</u>	<u>5,278,248</u>
Capital assets being depreciated:				
Land improvements	2,197,558	-	-	2,197,558
Buildings	11,976,296	18,097	-	11,994,393
Vehicles	4,695,268	508,615	(136,181)	5,067,702
Equipment	<u>5,427,933</u>	<u>165,604</u>	<u>-</u>	<u>5,593,537</u>
Total	<u>24,297,055</u>	<u>692,316</u>	<u>(136,181)</u>	<u>24,853,190</u>
Total non-infrastructure assets	<u>31,593,017</u>	<u>1,641,728</u>	<u>(3,103,307)</u>	<u>30,131,438</u>
Infrastructure assets	<u>85,765,852</u>	<u>2,928,866</u>	<u>-</u>	<u>88,694,718</u>
Total capital assets	<u>\$117,358,869</u>	<u>\$ 4,570,594</u>	<u>\$(3,103,307)</u>	<u>\$118,826,156</u>
Accumulated depreciation:				
Land improvements	771,256	58,793	-	830,049
Buildings	3,704,036	287,114	-	3,991,150
Vehicles	3,728,005	562,367	(132,058)	4,158,314
Equipment	2,299,472	462,435	-	2,761,907
Infrastructure	<u>81,156,332</u>	<u>280,728</u>	<u>-</u>	<u>81,437,060</u>
Total	<u>91,659,101</u>	<u>1,651,437</u>	<u>(132,058)</u>	<u>93,178,480</u>
Total capital assets, net	<u>\$ 25,699,768</u>	<u>\$ 2,919,157</u>	<u>\$(2,971,249)</u>	<u>\$ 25,647,676</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 1,534,850	\$ -	\$ -	\$ 1,534,850
Construction in progress	<u>8,838,410</u>	<u>1,553,577</u>	<u>(7,248,651)</u>	<u>3,143,336</u>
Total	<u>10,373,260</u>	<u>1,553,577</u>	<u>(7,248,651)</u>	<u>4,678,186</u>
Capital assets being depreciated:				
Buildings	36,827,381	-	-	36,827,381
Improvements	456,683	-	-	456,683
Vehicles	1,684,693	52,296	(194,888)	1,542,101
Equipment	1,691,500	64,055	-	1,755,555
Infrastructure	<u>54,795,795</u>	<u>7,248,651</u>	<u>-</u>	<u>62,044,446</u>
Total	<u>95,456,052</u>	<u>7,365,002</u>	<u>(194,888)</u>	<u>102,626,166</u>
Total capital assets	<u>105,829,312</u>	<u>8,918,579</u>	<u>(7,443,539)</u>	<u>107,304,352</u>
Accumulated depreciation:				
Buildings	3,782,369	910,403	-	4,692,772
Improvements	210,288	16,434	-	226,722
Vehicles	1,098,735	334,682	(115,338)	1,318,079
Equipment	1,454,376	80,617	-	1,534,993
Infrastructure	<u>28,003,341</u>	<u>1,037,377</u>	<u>-</u>	<u>29,040,718</u>
Total	<u>34,549,109</u>	<u>2,379,513</u>	<u>(115,338)</u>	<u>36,813,284</u>
Total capital assets, net	<u>\$ 71,280,203</u>	<u>\$ 6,539,066</u>	<u>\$(7,328,201)</u>	<u>\$ 70,491,068</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 575,961
Public services	339,525
Public safety	<u>735,951</u>
 Total depreciation expense	 <u>\$ 1,651,437</u>

Depreciation expense was charged to the proprietary functions as follows:

Utilities	\$ 2,052,519
Cemetery	20,355
Museum	15,590
Parking	199,830
Storm Water	<u>91,219</u>
 Total depreciation expense	 <u>\$ 2,379,513</u>

6. DEFINED BENEFIT PENSION PLANS

The government maintains a single-employer, defined benefit pension plan, the Police and Firefighters' Retirement Fund (PFRF), which covers public safety employees who work in non-hazardous positions, which they have held since July 31, 1988. The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all hazardous position public safety employees and all other governmental employees not already covered by PFRF. No medical insurance benefits are provided to retirees covered by the PFRF. Certain medical insurance benefits are provided to retirees covered by the CERS.

A. Police and Firefighters' Retirement Fund (PFRF)

1 - Plan Description and Provisions

All of the government's full-time police and fire employees who work in non-hazardous positions which they have held since July 31, 1988, participate in the PFRF, a single-employer, defined benefit pension plan. This plan was established by Ordinance No. 824, effective February 14, 1958, pursuant to Kentucky Revised Statutes Chapter 95. Prior to August 1, 1988, all full-time police and fire employees, both those working in hazardous and non-hazardous positions, were eligible to participate in the PFRF.

In accordance with the provisions of House Bill 398 passed by the 1988 Kentucky General Assembly, the City closed the PFRF to new members August 1, 1988, by passage of Ordinance No. 1400. After August 1, 1988, all new employees who would have been eligible to participate in the City's pension system must be enrolled as members of Kentucky County Employees' Retirement System. Employees hired on or before August 1, 1988, who were participating in the City plan, were given an option of transferring from the existing City pension plan to CERS.

Plan Members	Employees
Retirees	8
Active	0

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Police and Firefighters' Retirement Fund (PFRF), continued

1 - Plan Description and Provisions, continued

Members of the police or fire department having served twenty (20) years or longer in the police or fire department may petition the board of trustees for retirement; and if his petition is granted, the board may order paid to him monthly fifty percent (50%) of his monthly salary at the time of retirement. If this petition for retirement is denied, any policeman or firefighter has the right of appeal in accordance with the Rules of Civil Procedure.

The pension payable for periods of service between twenty (20) and twenty-five (25) years shall be fifty percent (50%) of salary plus two percent (2%) of salary for each year in excess of twenty (20). The pension payable for twenty-five (25) years of service shall be sixty percent (60%) of salary. The pension payable for periods of service between twenty-five (25) and thirty (30) years shall be sixty percent (60%) of salary plus three percent (3%) of salary for each year in excess of twenty-five (25). The pension payable for thirty (30) years of service shall be seventy-five percent (75%) of salary.

The pension or benefits paid for disability or death from the Police and Firefighter's Retirement Fund is as follows:

- a) If any member of the police and fire department becomes temporarily totally disabled, physically or mentally, the board of trustees of the pension fund shall order paid to him monthly, during his disability, until he has recovered and returned to active duty, a sum of not more than one-half (1/2) his salary per month, the amount to be determined by the board. This provision shall not apply if a salary is paid during the same period.
- b) If any member of the police or fire department becomes permanently disabled, physically or mentally, so as to render necessary his retirement from service in the department, the board of trustees shall retire him from service and order paid to him monthly fifty percent (50%) of his monthly salary at the time of his retirement.
- c) If any member of the police or fire department is killed or dies as the result of an injury received in the performance of duty, or dies of any disease contracted by reason of his occupation, or dies while in the service from any cause as a result of his service in the department, or dies in service or while on the retired list from any cause after one (1) year of service in the department and leaves a widow or a child under eighteen (18) years of age, the board of trustees shall order a pension paid to the widow, while unmarried, of one-half (1/2) of salary per month and for each child until it reaches the age of eighteen (18) years twenty-four dollars (\$24) per month. The board may provide a minimum benefit of no more than four hundred dollars (\$400) per month, initially, to the surviving spouse if the benefit can be supported on an actuarially sound basis by the fund. The board may increase the minimum benefit pursuant to the terms of subsection (4) of this section. If the deceased member was unmarried and childless, a pension shall be paid to his dependent father and mother of one-fourth (1/4) of salary per month. If one (1) parent is dead, the other shall receive the entire one-fourth (1/4) salary.

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the PFRF, the employee is entitled to a refund of his or her accumulated contributions to the fund without interest.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Police and Firefighters' Retirement Fund (PFRF), continued

2 – Measurement Focus and Basis of Accounting

The Police and Firefighter's Retirement Fund follows Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. The fiduciary fund statements are presented in accordance with Statement No. 67. The Primary Government (PG), as the Plan's single-employer, follows GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

The following was the Board's adopted target allocation and the long-term expected rate of return on Plan investments. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return.

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic fixed income	35%	5.0%
Domestic equity	60%	8.5%
Cash	5%	1.5%
	100%	6.5%

3 – Investments

Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government Agencies) in any one organization that represent more than 5% of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits.

4 – Net Pension Liability

The components of the net pension liability at June 30, 2020, were as follows:

Total pension liability	\$ 1,894,178
Less: Plan fiduciary net position	<u>831,031</u>
Net position liability	<u>\$ 1,063,147</u>
Plan fiduciary net position as a percentage of total pension liability	43.87%

Actuarial Assumptions – The total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Cost of Living	3.0%
Salary Adjustments	N/A
Investment Rate of Return	6.5%

Mortality rates for health individuals were based on RP 2000 Combined Static Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Mortality rates for disabled individuals were based on RP 2000 Disabled Retiree Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Police and Firefighters' Retirement Fund (PFRF), continued

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and higher than the current rate.

	Discount Rate	Net Pension Liability (Asset)
1% decrease	5.50%	\$ 1,234,501
Current discount rate	6.50%	\$ 1,063,147
1% increase	7.50%	\$ 915,486

5 – Employer Contributions

The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees. Covered employees were required by statute to contribute four percent of their annual covered salary.

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with Kentucky Revised Statutes. For the year ended June 30, 2020, the City made a contribution of \$135,000.

6 – Pension Expense and Deferred Outflows/Inflows

For the year ended June 30, 2020, the City recognized pension expense of \$343,951. At June 30, 2020 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
Net difference between projected and actual earnings on Plan investments	\$ 25,668	\$ 17,425

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2021	\$ (4,372)
2022	\$ 3,338
2023	\$ 3,020
2024	\$ 6,257

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System

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

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

Contributions – For the year ended June 30, 2020, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are 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 the actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members contributed 19.33% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2020, the City contributed \$647,885, or 100% of the required contribution for non-hazardous job classifications, and \$798,546, or 100% of the required contribution for hazardous job classifications.

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	Not available

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 22,170,648</u>	<u>\$ 8,777,521</u>	<u>\$ 13,393,127</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. 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. The City's proportionate share at June 30, 2019 was .12% for non-hazardous and .48% for hazardous.

The proportionate shares at June 30, 2019 remained the same as the proportionate shares as of June 30, 2018 for both the non-hazardous and the hazardous.

For the year ended June 30, 2020, the City recognized pension expense of \$4,476,111. At June 30, 2020, 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
Differences between expected and actual results	\$ 793,159	\$ 37,087
Changes of assumptions	2,188,445	-
Net difference between projected and actual earnings on Plan investments	-	331,044
Changes in proportion and differences between City contributions and proportionate share of contributions	491,477	5,522
City contributions subsequent to the measurement date	1,405,033	-
Total	<u>\$ 4,878,114</u>	<u>\$ 373,653</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The \$1,405,033 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 pension liability in the year ending June 30, 2020. Contributions exclude \$41,398 of contributions for employees that previously retired and were subsequently re-employed. 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,

2021	\$ 2,017,804
2022	\$ 793,884
2023	\$ 265,629
2024	\$ 22,111

Actuarial Assumptions – The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30%-10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.55%-19.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

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 24-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:

Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net pension liability		Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 10,978,189		5.25%	\$ 16,744,414
Current discount rate	6.25%	\$ 8,777,521		6.25%	\$ 13,393,127
1% increase	7.25%	\$ 6,943,285		7.25%	\$ 10,645,555

Payable to the Pension Plan – At June 30, 2020, the City reported a payable of \$163,133 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, the City of Danville 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 6, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2020, the City contributed \$159,789, or 100% of the required contribution for non-hazardous job classifications, and \$252,900, 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 Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
\$ <u>5,685,146</u>	\$ <u>2,098,609</u>	\$ <u>3,586,537</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018, was .12% for non-hazardous and .48% for hazardous. The proportionate shares at June 30, 2019 remained the same as the proportionate shares as of June 30, 2018 for both the non-hazardous and the hazardous.

For the year ended June 30, 2020, the City recognized OPEB expense of \$829,850. At June 30, 2020, 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
Differences between expected and actual results	\$ -	\$ 1,300,412
Changes of assumptions	1,704,833	10,944
Net difference between projected and actual earnings on Plan investments	38,332	337,745
Changes in proportion and differences between City contributions and proportionate share of contributions	182,355	5,918
City contributions subsequent to the measurement date	<u>450,109</u>	<u>-</u>
Total	<u>\$ 2,375,629</u>	<u>\$ 1,655,019</u>

The \$450,109 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. Contributions exclude \$10,210 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$47,630 related to the implicit subsidy, which is required to be recognized as a deferred outflow 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,

2021	\$ 255,755
2022	\$ 64,993
2023	\$ (23,606)
2024	\$ 688
2025	\$ (23,438)
2026	\$ (3,891)

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30%-10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% 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 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Hazardous

Inflation	2.30%
Salary increases	3.55%-19.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% 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 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.68% and 5.69% 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 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. 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 pension liability calculated using the discount rate 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 or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 2,811,273	4.69%	\$ 5,003,942
Current discount rate	5.85%	\$ 2,098,609	5.69%	\$ 3,586,537
1% increase	6.85%	\$ 1,511,421	6.69%	\$ 2,436,016

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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:

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability	City's proportionate share of net OPEB liability
1% decrease	\$ 1,560,746	\$ 2,495,567
Current discount rate	\$ 2,098,609	\$ 3,586,537
1% increase	\$ 2,750,831	\$ 4,917,461

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2020:

Description	Balance June 30, 2019	Issued	Retired	Balance June 30, 2020	Due within One year
<u>Governmental Activities</u>					
<u>General Fund</u>					
KLC note payable with interest at 3.00%, maturing in fiscal year 2038	\$ 3,730,472	\$ -	\$ 131,408	\$ 3,599,064	\$ 137,580
KBC capital lease with interest at 1.00% to 4.00% maturing in fiscal year 2030	305,000	-	25,000	280,000	25,000
Series 2012 GO with interest at 1.00% to 3.25% maturing in fiscal year 2038	3,580,000	-	150,000	3,430,000	155,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	1,116,775	-	44,671	1,072,104	40,610
Series 2018 GO with interest at 3.60% to 4.00% maturing in fiscal year 2038	9,900,000	-	110,000	9,790,000	120,000
Premiums/(Discounts)	<u>490,127</u>	<u>-</u>	<u>15,805</u>	<u>474,322</u>	<u>-</u>
Total bonds and notes payable	<u>19,122,374</u>	<u>-</u>	<u>476,884</u>	<u>18,645,490</u>	<u>478,190</u>
Compensated absences	293,889	-	48,724	245,165	31,037
Capital leases	493,779	509,241	147,450	855,570	228,089
Net pension liability - CERS	15,285,955	2,334,566	-	17,620,521	-
Net OPEB liability - CERS	4,494,661	102,599	-	4,597,260	-
Net pension liability - Police and Firefighters' retirement	<u>826,100</u>	<u>237,053</u>	<u>-</u>	<u>1,063,153</u>	<u>-</u>
Total governmental activities	<u>\$ 40,516,758</u>	<u>\$ 3,183,459</u>	<u>\$ 673,058</u>	<u>\$ 43,027,159</u>	<u>\$ 737,316</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity for all governmental activity bonds and notes payable are as follows:

Year ended	Principal	Interest	Total
2021	\$ 478,190	\$ 665,291	\$ 1,143,481
2022	716,987	644,212	1,361,199
2023	748,167	617,397	1,365,564
2024	773,429	589,586	1,363,015
2025	800,561	560,082	1,360,643
2026-2030	4,488,636	2,324,469	6,813,105
2031-2035	5,418,272	1,404,984	6,823,256
2036-2038	4,746,926	356,758	5,103,684
Premiums	<u>474,322</u>	<u>-</u>	<u>474,322</u>
	<u>\$ 18,645,490</u>	<u>\$ 7,162,779</u>	<u>\$ 25,808,269</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. LONG-TERM DEBT (CONTINUED)

Description	Balance June 30, 2019	Issued	Retired	Balance June 30, 2020	Due within One year
<u>Business-type Activities</u>					
Utility Fund					
Series 2008 with interest at 4.38%, maturing in fiscal year 2049	\$ 1,318,500	\$ -	\$ 1,318,500	\$ -	\$ -
Series 1995 with interest at 4.50%, maturing in fiscal year 2034	330,000	-	330,000	-	-
Series 2000 with interest at 4.75% maturing in fiscal year 2040	341,000	-	341,000	-	-
Series 2010 with interest at 3.00% maturing in fiscal year 2050	537,500	-	10,000	527,500	10,500
KIA note payable with interest at 1.75% matures in 20 years. Principal payments commence after project completion.	11,301,348	-	522,244	10,779,104	531,422
Series 2014A GO with interest at 3.00% to 3.75% maturing in fiscal year 2035	2,570,000	-	135,000	2,435,000	140,000
Series 2014A with interest at 3.00% maturing in fiscal year 2021	750,000	-	495,000	255,000	255,000
Series 2015A with interest at 2.875% maturing in fiscal year 2055	8,354,000	-	129,000	8,225,000	133,000
Series 2015B with interest at 2.25% maturing in fiscal year 2055	4,845,500	-	80,500	4,765,000	82,500
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	7,140,000	-	25,000	7,115,000	15,000
Series 2020 with interest at 2.00% to 5.00% maturing in fiscal year 2045	-	12,050,000	-	12,050,000	95,000
Premiums/(Discounts)	<u>1,109,630</u>	<u>189,249</u>	<u>61,005</u>	<u>1,237,874</u>	<u>-</u>
Total Utility Fund	<u>38,597,478</u>	<u>12,239,249</u>	<u>3,447,249</u>	<u>47,389,478</u>	<u>1,262,422</u>
Storm Water Fund					
KBC 2010 Series A Revenue Bonds with interest at 1.00% to 4.00% maturing in fiscal year 2030	<u>470,000</u>	<u>-</u>	<u>35,000</u>	<u>435,000</u>	<u>35,000</u>
Total Storm Water Fund	<u>\$ 470,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 435,000</u>	<u>\$ 35,000</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. LONG-TERM DEBT (CONTINUED)

Description	Balance June 30, 2019	Issued	Retired	Balance June 30, 2020	Due within One year
<u>Business-type Activities, continued</u>					
Parking Fund					
Series 2014C GO with interest at 2.50% to 3.86% maturing in fiscal year 2036	\$ 1,030,000	\$ -	\$ 40,000	\$ 990,000	\$ 45,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	220,688	-	8,827	211,861	8,025
Series 2017B GO with interest at 2.00% to 3.00% maturing in fiscal year 2036	2,545,000	-	115,000	2,430,000	115,000
Premiums/(Discounts)	<u>64,200</u>	<u>-</u>	<u>3,050</u>	<u>61,150</u>	<u>-</u>
Total Parking Fund	<u>3,859,888</u>	<u>-</u>	<u>166,877</u>	<u>3,693,011</u>	<u>168,025</u>
Museum Fund					
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	37,538	-	1,502	36,036	1,365
Premiums/(Discounts)	<u>3,074</u>	<u>-</u>	<u>80</u>	<u>2,994</u>	<u>-</u>
Total Museum Fund	<u>40,612</u>	<u>-</u>	<u>1,582</u>	<u>39,030</u>	<u>1,365</u>
Total bonds and notes payable	<u>42,967,978</u>	<u>12,239,249</u>	<u>3,650,708</u>	<u>51,556,519</u>	<u>1,466,812</u>
Compensated absences	132,809	-	7,089	125,720	31,873
Capital leases	721,719	56,173	203,716	574,176	171,501
Net pension liability - CERS	3,696,467	853,660	-	4,550,127	-
Net OPEB liability - CERS	<u>1,077,570</u>	<u>10,316</u>	<u>-</u>	<u>1,087,886</u>	<u>-</u>
Total business-type activities	<u>\$ 48,596,543</u>	<u>\$ 13,159,398</u>	<u>\$ 3,861,513</u>	<u>\$ 57,894,428</u>	<u>\$ 1,670,186</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. LONG-TERM DEBT (CONTINUED)

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2020 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the various funds. At June 30, 2020, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

The annual debt service requirements to maturity for all business-type activity bonds and notes payable are as follows:

Year ended	Principal	Interest	Total
2021	\$ 1,466,812	\$ 1,365,145	\$ 2,831,957
2022	1,585,031	1,259,369	2,844,400
2023	1,636,037	1,210,620	2,846,657
2024	1,683,648	1,159,759	2,843,407
2025	1,735,989	1,106,565	2,842,554
2026-2030	9,558,125	4,699,011	14,257,136
2031-2035	10,630,552	3,442,255	14,072,807
2036-2040	9,070,807	2,206,343	11,277,150
2041-2045	7,607,500	1,288,908	8,896,408
2046-2050	2,513,500	571,860	3,085,360
2051-2055	2,766,500	224,504	2,991,004
Premiums	<u>1,302,018</u>	<u>-</u>	<u>1,302,018</u>
	<u><u>\$ 51,556,519</u></u>	<u><u>\$ 18,564,339</u></u>	<u><u>\$ 70,090,858</u></u>

9. CONDUIT DEBT OBLIGATIONS

The City occasionally issues Industrial Revenue Bonds to assist local private sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of the City or a pledge of faith and credit of the City. Accordingly, the bonds and related assets are not included in the City's financial statements. The amount of bonds outstanding at June 30, 2020, is not readily available.

10. CONTINGENT LIABILITIES

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

11. 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; natural disasters; and workers' compensation claims. Significant losses are covered by commercial insurance for all major programs except unemployment compensation and workers' compensation, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from prior years. Also, there have been no settlements exceeding insurance coverage for each of the past three years. The City participates in two pooled self-insurance programs sponsored by the Kentucky League of Cities. These include unemployment compensation and workers' compensation.

The City has established a Health Self-Insurance Plan. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$50,000 of a participant's medical claim are payable by the Health Self-Insurance Plan. The City purchases insurance for claims in excess of coverage provided by the fund. All funds with employees of the city participate in the program and makes payments to the health fund based on estimates of the amount needed to pay current year claims. Claims totaling \$175,892 have been included in accounts payable at June 30, 2020, based on claims incurred and settled after year end. A liability for incurred but not reported claims as of June 30, 2020, has not been estimated based on the nature of the claims process. This is in accordance with the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements unless such an estimate cannot be made.

12. TRANSFER OF FUNDS

Transfers between funds consisted of the following for the fiscal year ended June 30, 2020:

Type	From fund	To fund	Purpose	Amount
Operating	General	Municipal Road Aid	Street repairs	\$ 175,000
Operating	General	Streetscape	Operating expense	325,679
Operating	General	Museum	Operating expense	38,595
Operating	General	Cemetery	Operating expense	222,127
Operating	General	Garbage	Operating expense	65,636
Operating	General	Parking	Operating expense	<u>155,138</u>
				<u>\$ 982,175</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

13. CAPITAL LEASE OBLIGATIONS

The City has entered into agreements with Fleet Management to lease various vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded as assets and liabilities at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of the capital lease obligations by fund:

	Initial Lease Value	Balance June 30, 2020
General fund	\$ 1,160,046	\$ 855,570
Utility fund	779,483	483,208
Storm water fund	78,505	41,966
Cemetery fund	<u>56,173</u>	<u>49,002</u>
Total capital lease obligation	<u>\$ 2,074,207</u>	<u>\$ 1,429,746</u>

Governmental fund annual obligation requirements to maturity for all capital leases are as follows:

Year Ended	Principal	Interest	Total
2021	\$ 228,089	\$ 41,707	\$ 269,796
2022	242,081	28,185	270,266
2023	184,920	12,907	197,827
2024	186,902	4,312	191,214
2025	<u>13,578</u>	<u>289</u>	<u>13,867</u>
Total	<u>\$ 855,570</u>	<u>\$ 87,400</u>	<u>\$ 942,970</u>

Proprietary fund annual obligation requirements to maturity for all capital leases are as follows:

Year Ended	Principal	Interest	Total
2021	\$ 171,501	\$ 28,772	\$ 200,273
2022	156,654	43,617	200,271
2023	48,401	22,482	70,883
2024	196,593	5,244	201,837
2025	<u>1,027</u>	<u>2,321</u>	<u>3,348</u>
Total	<u>\$ 574,176</u>	<u>\$ 102,436</u>	<u>\$ 676,612</u>

14. SUBSEQUENT EVENT

In September of 2020, the City refinanced \$715,000 of the 2010B General Obligation Lease dated August 25, 2010 and 2010A Fire Truck Lease of the same date with the 2020B General Obligation Bond for \$728,300. The bonds bear a coupon interest rate of 1.641% and will mature on February 1, 2030. The new issue will reduce future debt service by \$80,573 and has a net economic gain of \$67,267.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

15. COVID-19 PANDEMIC

Since early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the local businesses could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event. \$1,208,316 of Coronavirus Relief Funds were related to fiscal year 2020 expenditures and were accrued as a receivable in the General Fund at June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,875,000	\$ 1,875,000	\$ 2,095,533	\$ 220,533
Licenses and fees	14,433,000	14,433,000	13,847,612	(585,388)
Intergovernmental revenue	322,000	322,000	1,589,235	1,267,235
Penalties and forfeitures	9,000	9,000	8,963	(37)
Other revenue	<u>2,022,674</u>	<u>2,022,674</u>	<u>2,216,248</u>	<u>193,574</u>
Total revenues	<u>18,661,674</u>	<u>18,661,674</u>	<u>19,757,591</u>	<u>1,095,917</u>
Expenditures				
Current operating				
General government	2,957,193	2,957,193	2,543,361	413,832
Public services	1,762,421	1,762,421	1,541,830	220,591
Public safety	8,915,698	8,915,698	7,324,399	1,591,299
Community services	1,533,330	1,533,330	1,068,988	464,342
Debt service	1,343,264	1,343,264	1,329,244	14,020
Capital outlay	<u>9,880,000</u>	<u>9,880,000</u>	<u>1,268,528</u>	<u>8,611,472</u>
Total expenditures	<u>26,391,906</u>	<u>26,391,906</u>	<u>15,076,350</u>	<u>11,315,556</u>
Excess (deficiency) of revenues over expenditures	(7,730,232)	(7,730,232)	4,681,241	12,411,473
Other financing sources (uses)				
Proceeds from capital leases	-	-	509,241	509,241
Transfers (to) from other funds	<u>(982,175)</u>	<u>(982,175)</u>	<u>(982,175)</u>	<u>-</u>
Total other financing sources (uses)	(982,175)	(982,175)	(472,934)	509,241
Excess (deficiency) of revenues over expenditures and transfers	(8,712,407)	(8,712,407)	4,208,307	12,920,714
Fund balance, beginning of year	<u>24,161,456</u>	<u>24,161,456</u>	<u>24,161,456</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 15,449,049</u>	<u>\$ 15,449,049</u>	<u>\$ 28,369,763</u>	<u>\$ 12,920,714</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Real and personal property	\$ 1,440,000	\$ 1,440,000	\$ 1,496,545	\$ 56,545
Tangible property	215,000	215,000	354,353	139,353
Motor vehicle	170,000	170,000	195,737	25,737
PILOT - Housing Authority	50,000	50,000	48,898	(1,102)
Total taxes	<u>1,875,000</u>	<u>1,875,000</u>	<u>2,095,533</u>	<u>220,533</u>
Licenses and fees				
Payroll licenses	13,500	13,500	18,467	4,967
Insurance licenses	2,200,000	2,200,000	2,116,865	(83,135)
Occupational licenses	9,290,000	9,290,000	8,915,258	(374,742)
Net profits	1,200,000	1,200,000	987,745	(212,255)
Liquor licenses	600,000	600,000	626,005	26,005
Franchise fees-Rural Electric Cooperative Corporation	24,500	24,500	22,585	(1,915)
Franchise fees-Kentucky Utilities	810,000	810,000	845,801	35,801
Franchise fees-Atmos	90,000	90,000	101,493	11,493
Franchise fees-Comcast	108,000	108,000	110,567	2,567
Franchise fees-Bank	97,000	97,000	102,826	5,826
Total licenses and fees	<u>14,433,000</u>	<u>14,433,000</u>	<u>13,847,612</u>	<u>(585,388)</u>
Intergovernmental revenue				
Firefighters' incentive	110,000	110,000	123,041	13,041
Law enforcement incentive	140,000	140,000	172,790	32,790
BASE court	16,000	16,000	17,216	1,216
Other intergovernmental revenue	56,000	56,000	1,276,188	1,220,188
Total intergovernmental revenue	<u>322,000</u>	<u>322,000</u>	<u>1,589,235</u>	<u>1,267,235</u>
Fines and forfeitures				
Arrest fees	7,500	7,500	5,681	(1,819)
Other penalties	1,500	1,500	3,282	1,782
Total fines and forfeitures	<u>9,000</u>	<u>9,000</u>	<u>8,963</u>	<u>(37)</u>
Other revenue				
Community tower rental	61,000	61,000	61,401	401
Fire protection	25,800	25,800	26,318	518
Community contracts	214,950	214,950	178,698	(36,252)
Management fees	1,250,924	1,250,924	1,148,067	(102,857)
Change in fair value of investments	500	500	2,380	1,880
Interest	160,000	160,000	400,042	240,042
E-911	230,000	230,000	248,583	18,583
Insurance proceeds	5,000	5,000	345	(4,655)
School officer	37,500	37,500	30,522	(6,978)
Miscellaneous	37,000	37,000	119,892	82,892
Total other revenue	<u>2,022,674</u>	<u>2,022,674</u>	<u>2,216,248</u>	<u>193,574</u>
Total revenue	<u>\$ 18,661,674</u>	<u>\$ 18,661,674</u>	<u>\$ 19,757,591</u>	<u>\$ 1,095,917</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government				
Legislative and executive				
Personnel	\$ 849,708	\$ 849,708	\$ 696,528	\$ 153,180
Contractual	437,050	437,050	397,024	40,026
Other	130,975	130,975	103,135	27,840
Total legislative and executive	1,417,733	1,417,733	1,196,687	221,046
Finance and administration				
Personnel	573,811	573,811	512,559	61,252
Contractual	480,463	480,463	430,402	50,061
Other	39,550	39,550	32,284	7,266
Total finance and administration	1,093,824	1,093,824	975,245	118,579
Information technology				
Personnel	294,756	294,756	251,598	43,158
Contractual	79,750	79,750	64,683	15,067
Other	71,130	71,130	55,148	15,982
Total information technology	445,636	445,636	371,429	74,207
Total general government	2,957,193	2,957,193	2,543,361	413,832
Public services				
Personnel	437,976	437,976	400,829	37,147
Contractual	916,995	916,995	967,416	(50,421)
Other	407,450	407,450	173,585	233,865
Total public services	1,762,421	1,762,421	1,541,830	220,591
Public safety				
Police department				
Personnel	3,747,531	3,747,531	3,001,752	745,779
Contractual	214,520	214,520	216,262	(1,742)
Other	349,850	349,850	260,649	89,201
Total police department	4,311,901	4,311,901	3,478,663	833,238
Communications and administration services				
Personnel	885,943	885,943	767,334	118,609
Contractual	84,910	84,910	159,045	(74,135)
Other	39,450	39,450	21,795	17,655
Total communications and administration services	1,010,303	1,010,303	948,174	62,129
Code enforcement				
Personnel	514,596	514,596	264,853	249,743
Contractual	122,100	122,100	27,064	95,036
Other	37,950	37,950	18,651	19,299
Total code enforcement	674,646	674,646	310,568	364,078

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public safety, continued				
Fire and emergency services				
Personnel	\$ 2,519,848	\$ 2,519,848	\$ 2,256,686	\$ 263,162
Contractual	201,200	201,200	158,108	43,092
Other	197,800	197,800	172,200	25,600
Total fire and emergency services	2,918,848	2,918,848	2,586,994	331,854
Total public safety	8,915,698	8,915,698	7,324,399	1,591,299
Community services				
Community agencies				
Grants	282,700	282,700	282,700	-
Non-departmental				
Grants	705,390	705,390	466,240	239,150
Police and fire retirement	135,000	135,000	135,000	-
Economic development initiative	118,000	118,000	110,650	7,350
Contingency - general fund	247,240	247,240	(755)	247,995
Insurance/judgement/claims	40,000	40,000	60,938	(20,938)
Workers' comp audit	5,000	5,000	14,215	(9,215)
Total non-departmental	1,250,630	1,250,630	786,288	464,342
Total community services	1,533,330	1,533,330	1,068,988	464,342
Debt service				
Other	1,343,264	1,343,264	1,329,244	14,020
Total debt service	1,343,264	1,343,264	1,329,244	14,020
Capital outlay				
Finance and administration	355,000	355,000	594,108	(239,108)
Fire department	7,640,000	7,640,000	319,116	7,320,884
Public services	1,585,000	1,585,000	182,102	1,402,898
Police department	300,000	300,000	173,202	126,798
Total capital outlay	9,880,000	9,880,000	1,268,528	8,611,472
Total expenditures	26,391,906	26,391,906	15,076,350	11,315,556
Excess (deficiency) of revenues over expenditures	(7,730,232)	(7,730,232)	4,681,241	12,411,473
Other financing sources (uses)				
Proceeds from capital leases	-	-	509,241	509,241
Transfers	(982,175)	(982,175)	(982,175)	-
Total other financing sources (uses)	(982,175)	(982,175)	(472,934)	509,241
Net change in fund balance	\$ (8,712,407)	\$ (8,712,407)	\$ 4,208,307	\$ 12,920,714

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental revenue	\$ 319,000	\$ 319,000	\$ 329,121	\$ 10,121
Other revenue	<u>3,500</u>	<u>3,500</u>	<u>14,487</u>	<u>10,987</u>
Total revenues	<u>322,500</u>	<u>322,500</u>	<u>343,608</u>	<u>21,108</u>
Expenditures				
Current operating				
Public services	500,000	500,000	76,225	423,775
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>4,518</u>	<u>120,482</u>
Total expenditures	<u>625,000</u>	<u>625,000</u>	<u>80,743</u>	<u>544,257</u>
Excess (deficiency) of revenues over expenditures	(302,500)	(302,500)	262,865	565,365
Transfers (to) from other funds, net	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and transfers	(127,500)	(127,500)	437,865	565,365
Fund balance, beginning of year	<u>487,124</u>	<u>487,124</u>	<u>487,124</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 359,624</u>	<u>\$ 359,624</u>	<u>\$ 924,989</u>	<u>\$ 565,365</u>

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
POLICE AND FIREFIGHTERS' RETIREMENT FUND
LAST 10 FISCAL YEARS**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability										
Service cost	\$ 20,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	161,520	149,296	138,175	158,934	164,512	160,061	154,676	116,353	106,898	102,775
Difference between expected and actual experience	(127,274)	(90,888)	82,379	87,635	12,075	(8,253)	(540,591)	(88,390)	(7,251)	78,610
Changes in assumptions	-	-	475,464	93,992	-	-	-	-	-	212,836
Benefit payments	<u>(213,800)</u>	<u>(203,960)</u>	<u>(230,609)</u>	<u>(241,766)</u>	<u>(244,955)</u>	<u>(245,159)</u>	<u>(224,188)</u>	<u>(183,120)</u>	<u>(163,754)</u>	<u>(162,390)</u>
Net change in total pension liability	(159,006)	(145,552)	465,409	98,795	(68,368)	(93,349)	(610,103)	(155,157)	(64,107)	231,831
Total pension liability - beginning	<u>2,393,785</u>	<u>2,234,779</u>	<u>2,089,227</u>	<u>2,554,636</u>	<u>2,653,431</u>	<u>2,585,063</u>	<u>2,491,714</u>	<u>1,881,611</u>	<u>1,726,454</u>	<u>1,662,347</u>
Total pension liability - ending	<u>\$ 2,234,779</u>	<u>\$ 2,089,227</u>	<u>\$ 2,554,636</u>	<u>\$ 2,653,431</u>	<u>\$ 2,585,063</u>	<u>\$ 2,491,714</u>	<u>\$ 1,881,611</u>	<u>\$ 1,726,454</u>	<u>\$ 1,662,347</u>	<u>\$ 1,894,178</u>
Plan Fiduciary Net Position										
Contributions - employee	\$ 1,718	\$ 1,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	190,000	190,000	190,000	126,000	190,000	165,000	165,000	165,000	135,000	135,000
Net investment income	100,193	29,029	107,005	123,406	26,925	46,190	84,891	47,760	67,125	22,174
Benefit payments	<u>(213,800)</u>	<u>(203,960)</u>	<u>(230,609)</u>	<u>(241,768)</u>	<u>(244,955)</u>	<u>(245,159)</u>	<u>(224,188)</u>	<u>(183,120)</u>	<u>(163,754)</u>	<u>(162,390)</u>
Net change in plan net position	78,111	16,584	66,396	7,638	(28,030)	(33,969)	25,703	29,640	38,371	(5,216)
Plan fiduciary net position - beginning	<u>635,803</u>	<u>713,914</u>	<u>730,498</u>	<u>796,894</u>	<u>804,532</u>	<u>776,502</u>	<u>742,533</u>	<u>768,236</u>	<u>797,876</u>	<u>836,247</u>
Plan fiduciary net position - ending	<u>713,914</u>	<u>730,498</u>	<u>796,894</u>	<u>804,532</u>	<u>776,502</u>	<u>742,533</u>	<u>768,236</u>	<u>797,876</u>	<u>836,247</u>	<u>831,031</u>
Net pension liability - ending	<u>\$ 1,520,865</u>	<u>\$ 1,358,729</u>	<u>\$ 1,757,742</u>	<u>\$ 1,848,899</u>	<u>\$ 1,808,561</u>	<u>\$ 1,749,181</u>	<u>\$ 1,113,375</u>	<u>\$ 928,578</u>	<u>\$ 826,100</u>	<u>\$ 1,063,147</u>
Plan fiduciary net position as a percentage of total pension liability	31.95%	34.96%	31.19%	30.32%	30.04%	29.80%	40.83%	46.21%	50.31%	43.87%
Covered employee payroll	\$ 41,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	3679%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE AND FIREFIGHTERS' RETIREMENT FUND
Last Ten Fiscal Years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 155,834	\$ 137,286	\$ 119,550	\$ 154,658	\$ 166,979	\$ 164,914	\$ 167,726	\$ 110,506	\$ 95,743	\$ 88,851
Contributions in relation to actuarially determined contribution	<u>(190,000)</u>	<u>(190,000)</u>	<u>(190,000)</u>	<u>(126,000)</u>	<u>(190,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>
Contribution deficiency (excess)	<u>\$ (34,166)</u>	<u>\$ (52,714)</u>	<u>\$ (70,450)</u>	<u>\$ 28,658</u>	<u>\$ (23,021)</u>	<u>\$ (86)</u>	<u>\$ 2,726</u>	<u>\$ (54,494)</u>	<u>\$ (39,257)</u>	<u>\$ (46,149)</u>
Covered-employee payroll	\$ 41,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	459.56%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of December 31 after the valuation date.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar over 20 years from 7/1/13
Remaining amortization period	14 years
Asset valuation method	Market value
Cost of Living increase	3.00% per year
Salary increases	N/A
Inflation	3.00% per year
Investment rate of return	6.50% (7.0% prior to July 1, 2013)
Retirement age	Upon attainment of 25 years of service.
Mortality	RP 2000 Combined Healthy Mortality Table projected to the year 2020 with Scale AA.

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
POLICE AND FIREFIGHTERS' RETIREMENT FUND
LAST 10 FISCAL YEARS**

Year Ending June 30,	Annual Money-weighted Rate of Return
2011	16.0%
2012	4.1%
2013	15.1%
2014	16.7%
2015	7.8%
2016	1.6%
2017	11.9%
2018	6.3%
2019	8.6%
2020	2.7%

Notes

The amounts shown are net of investment expenses.

**CITY OF DANVILLE KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS - NON-HAZARDOUS
Last Seven Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%
City's proportionate share of the net pension liability (asset)	\$ 3,929,199	\$ 3,456,145	\$ 4,621,569	\$ 5,537,010	\$ 6,569,873	\$ 7,296,124	\$ 8,777,521
City's covered employee payroll	\$ 2,534,067	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	155.06%	130.44%	170.20%	188.73%	221.95%	227.39%	257.12%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
CERS - NON-HAZARDOUS
Last Eight Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 319,799	\$ 364,054	\$ 346,203	\$ 364,661	\$ 373,773	\$ 464,618	\$ 553,719	\$ 647,885
Contributions relative to contractually required employer contribution	<u>319,799</u>	<u>364,054</u>	<u>346,203</u>	<u>364,661</u>	<u>373,773</u>	<u>464,618</u>	<u>553,719</u>	<u>647,885</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,534,067	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916
Employer contributions as a percentage of covered-employee payroll	12.62%	13.74%	12.75%	12.43%	12.63%	14.48%	16.22%	19.30%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS - HAZARDOUS
Last Seven Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net pension liability	0.47%	0.47%	0.44%	0.47%	0.47%	0.48%	0.48%
City's proportionate share of the net pension liability (asset)	\$ 6,280,303	\$ 5,643,708	\$ 6,785,945	\$ 8,104,335	\$ 10,483,798	\$ 11,686,298	\$ 13,393,127
City's covered employee payroll	\$ 2,413,303	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	260.24%	236.92%	300.15%	327.07%	407.56%	434.36%	486.49%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
CERS - HAZARDOUS
Last Eight Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 485,074	\$ 518,595	\$ 468,680	\$ 495,590	\$ 576,504	\$ 597,289	\$ 684,676	\$ 798,546
Contributions relative to contractually required employer contribution	<u>485,074</u>	<u>518,595</u>	<u>468,680</u>	<u>495,590</u>	<u>576,504</u>	<u>597,289</u>	<u>684,676</u>	<u>798,546</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,413,303	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508
Employer contributions as a percentage of covered-employee payroll	20.10%	21.77%	20.73%	20.00%	22.41%	22.20%	24.87%	30.06%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
CERS - NONHAZARDOUS
Last Four Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net OPEB liability	0.11%	0.11%	0.12%	0.12%
City's proportionate share of the net OPEB liability (asset)	\$ 1,769,891	\$ 2,256,447	\$ 2,126,919	\$ 2,098,609
City's covered employee payroll	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	60.33%	76.23%	66.29%	61.47%
Plan fiduciary net position as a percentage of the total OPEB liability of covered-employee payroll	unavailable	52.39%	57.62%	60.44%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS
CERS - NONHAZARDOUS
Last Eight Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 175,611	\$ 136,454	\$ 133,594	\$ 136,132	\$ 140,010	\$ 150,808	\$ 179,566	\$ 159,789
Contributions relative to contractually required employer contribution	<u>175,611</u>	<u>136,454</u>	<u>133,594</u>	<u>136,132</u>	<u>140,010</u>	<u>150,808</u>	<u>179,566</u>	<u>159,789</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$2,534,067	\$2,649,591	\$2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$3,413,803	\$ 3,356,916
Employer contributions as a percentage of covered-employee payroll	6.93%	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
CERS - HAZARDOUS
Last Four Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)
City's proportion of the net OPEB liability	0.47%	0.47%	0.48%	0.48%
City's proportionate share of the net OPEB liability (asset)	\$ 2,314,707	\$ 3,873,748	\$ 3,445,312	\$ 3,586,537
City's covered employee payroll	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	93.42%	150.59%	128.06%	130.28%
Plan fiduciary net position as a percentage of the total OPEB liability of covered-employee payroll	unavailable	58.99%	64.24%	64.44%

The above schedule will present 10 years of historical data, once available.

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS
CERS - HAZARDOUS
Last Eight Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 422,328	\$ 331,834	\$ 307,028	\$ 310,630	\$ 240,513	\$ 251,561	\$ 288,323	\$ 252,900
Contributions relative to contractually required employer contribution	<u>422,328</u>	<u>331,834</u>	<u>307,028</u>	<u>310,630</u>	<u>240,513</u>	<u>251,561</u>	<u>288,323</u>	<u>252,900</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,413,303	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508
Employer contributions as a percentage of covered-employee payroll	17.50%	13.93%	13.58%	12.54%	9.35%	9.35%	10.47%	9.52%

The above schedule will present 10 years of historical data, once available.

CITY OF DANVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

CITY OF DANVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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 assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

**CITY OF DANVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020**

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Total
ASSETS									
Cash and cash equivalents	\$ 9,450	\$ 1,539	\$ 27,526	\$ 237,880	\$ 24,963	\$ 28,448	\$ 5,281	\$ 25,940	\$ 361,027
Receivables, net	1,970	-	-	-	-	-	-	-	1,970
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,273</u>	<u>-</u>	<u>-</u>	<u>6,273</u>
 Total assets	 <u>\$ 11,420</u>	 <u>\$ 1,539</u>	 <u>\$ 27,526</u>	 <u>\$ 237,880</u>	 <u>\$ 24,963</u>	 <u>\$ 34,721</u>	 <u>\$ 5,281</u>	 <u>\$ 25,940</u>	 <u>\$ 369,270</u>
LIABILITIES AND FUND BALANCE									
Accounts payable	\$ 449	\$ -	\$ -	\$ 13,135	\$ -	\$ -	\$ -	\$ -	\$ 13,584
 Total liabilities	 <u>449</u>	 <u>-</u>	 <u>-</u>	 <u>13,135</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>13,584</u>
 Fund balance, restricted	 -	 -	 -	 -	 -	 -	 5,281	 25,940	 31,221
Fund balance, assigned	<u>10,971</u>	<u>1,539</u>	<u>27,526</u>	<u>224,745</u>	<u>24,963</u>	<u>34,721</u>	<u>-</u>	<u>-</u>	<u>324,465</u>
 Total fund balance	 <u>10,971</u>	 <u>1,539</u>	 <u>27,526</u>	 <u>224,745</u>	 <u>24,963</u>	 <u>34,721</u>	 <u>5,281</u>	 <u>25,940</u>	 <u>355,686</u>
 Total liabilities and fund balance	 <u>\$ 11,420</u>	 <u>\$ 1,539</u>	 <u>\$ 27,526</u>	 <u>\$ 237,880</u>	 <u>\$ 24,963</u>	 <u>\$ 34,721</u>	 <u>\$ 5,281</u>	 <u>\$ 25,940</u>	 <u>\$ 369,270</u>

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2020

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Funds	Park Nonexpendable Trust Fund	Cemetery Nonexpendable Trust Fund	Total
REVENUES									
Intergovernmental	\$ 6,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,746
Penalties and forfeitures	-	3,194	-	-	-	-	-	-	3,194
Other revenues	199	136	436	5,623	17,745	590	80	405	25,214
Total revenues	6,945	3,330	436	5,623	17,745	590	80	405	35,154
EXPENDITURES									
Public safety	5,556	5,000	-	44,215	-	-	-	-	54,771
Community services	-	-	-	-	28,204	-	-	-	28,204
Capital outlay	-	-	-	478,698	-	-	-	-	478,698
Total expenditures	5,556	5,000	-	522,913	28,204	-	-	-	561,673
Excess (deficiency) of revenues over expenditures	1,389	(1,670)	436	(517,290)	(10,459)	590	80	405	(526,519)
Other financing sources (uses):									
Transfers (to) from other funds	-	-	-	325,679	-	-	-	-	325,679
Net change in fund balance	1,389	(1,670)	436	(191,611)	(10,459)	590	80	405	(200,840)
Fund balance, beginning of year	9,582	3,209	27,090	416,356	35,422	34,131	5,201	25,535	556,526
Fund balance, end of year	\$ 10,971	\$ 1,539	\$ 27,526	\$ 224,745	\$ 24,963	\$ 34,721	\$ 5,281	\$ 25,940	\$ 355,686

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2020

	Garbage Fund	Cemetery Fund	Museum Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 424,421	\$ 31,629	\$ 456,050
Accounts receivable, net	94,220	4,265	-	98,485
Investments	-	123,967	-	123,967
Total current assets	94,220	552,653	31,629	678,502
Noncurrent assets				
Nondepreciable capital assets	-	27,135	76,000	103,135
Depreciable capital assets, net	-	98,452	281,937	380,389
Total noncurrent assets	-	125,587	357,937	483,524
Total assets	94,220	678,240	389,566	1,162,026
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	-	29,153	-	29,153
Deferred outflows - OPEB	-	13,665	-	13,665
Total deferred outflows of resources	-	42,818	-	42,818
Total assets and deferred outflows of resources	\$ 94,220	\$ 721,058	\$ 389,566	\$ 1,204,844
LIABILITIES				
Current liabilities				
Accounts payable	\$ 103,105	\$ 1,123	\$ 2,043	\$ 106,271
Accrued payroll and benefits	-	2,227	-	2,227
Accrued interest payable	-	-	548	548
Current portion of capital leases	-	11,151	-	11,151
Current portion of bonds and notes payable	-	-	1,365	1,365
Current portion of compensated absences	-	32	-	32
Total current liabilities	103,105	14,533	3,956	121,594
Non-current liabilities				
Bonds and notes payable, net of current portion	-	-	37,665	37,665
Capital leases, net of current portion	-	37,851	-	37,851
Net pension liability	-	122,995	-	122,995
Net OPEB liability	-	29,407	-	29,407
Compensated absences, net of current portion	-	609	-	609
Total non-current liabilities	-	190,862	37,665	228,527
Total liabilities	103,105	205,395	41,621	350,121
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	-	2,507	-	2,507
Deferred inflows - OPEB	-	10,476	-	10,476
Total deferred inflows of resources	-	12,983	-	12,983
NET POSITION				
Net investment in capital assets	-	76,585	318,359	394,944
Net position, unrestricted	(8,885)	426,095	29,586	446,796
Total net position	(8,885)	502,680	347,945	841,740
Total liabilities, deferred inflows of resources, and net position	\$ 94,220	\$ 721,058	\$ 389,566	\$ 1,204,844

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
for the year ended June 30, 2020

	Garbage Fund	Cemetery Fund	Museum Fund	Total
Operating revenues				
Fees for services	\$ 1,000,609	\$ 84,583	\$ -	\$ 1,085,192
Total operating revenues	<u>1,000,609</u>	<u>84,583</u>	<u>-</u>	<u>1,085,192</u>
Operating expenses				
Personnel	-	100,097	-	100,097
Contractual	1,098,058	85,208	27,732	1,210,998
Depreciation	-	20,355	15,590	35,945
Other expenses	<u>-</u>	<u>(194)</u>	<u>-</u>	<u>(194)</u>
Total operating expenses	1,098,058	205,466	43,322	1,346,846
Operating (loss)	<u>(97,449)</u>	<u>(120,883)</u>	<u>(43,322)</u>	<u>(261,654)</u>
Nonoperating revenues (expenses)				
Investment earnings	-	11,743	446	12,189
Interest expense	<u>-</u>	<u>(12,655)</u>	<u>(1,293)</u>	<u>(13,948)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>(912)</u>	<u>(847)</u>	<u>(1,759)</u>
(Loss) before other revenues, expenses, gains, losses and transfers	(97,449)	(121,795)	(44,169)	(263,413)
Transfers from other funds	<u>65,636</u>	<u>222,127</u>	<u>38,595</u>	<u>326,358</u>
Change in net position	(31,813)	100,332	(5,574)	62,945
Net position, beginning of year	<u>22,928</u>	<u>402,348</u>	<u>353,519</u>	<u>778,795</u>
Net position, end of year	<u>\$ (8,885)</u>	<u>\$ 502,680</u>	<u>\$ 347,945</u>	<u>\$ 841,740</u>



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

To the Mayor and the Board of Commissioners
City of Danville, 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 Standard* 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 Danville, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Danville, Kentucky's basic financial statements, and have issued our report thereon dated August 9, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Danville, 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.

A handwritten signature in black ink, consisting of the letters 'RFH' in a stylized, bold, and slightly slanted font.

RFH, PLLC
Lexington, Kentucky
August 9, 2021

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Though Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of the Treasury (TREAS)					
Passed through the Kentucky Department for Local Government					
COVID-19 - Coronavirus Relief Fund for States	21.019	PON2 112 2100000879	4/1/2020-6/30/2020	\$ -	\$ 1,208,316
Total U.S. Department of the Treasury				\$ -	\$ 1,208,316
U.S. Department of Transportation					
Passed through Commonwealth of Kentucky Department for Local Government					
State and Community Highway Safety	20.600	PO2-625-1600000884 1	7/1/2019-6/30/2020	\$ -	\$ 6,746
Total U.S. Department of Transportation				\$ -	\$ 6,746
U.S. Department of Commerce					
Investments for Public Works and Economic Development Facilities	11.300	N/A	7/1/2019-6/30/2020	\$ -	\$ 153,530
Total U.S. Department of Commerce				\$ -	\$ 153,530
Total federal awards expended				\$ -	\$ 1,368,592

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Danville, Kentucky and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the 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) . Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and the Board of Commissioners
City of Danville
Danville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Danville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Danville, Kentucky's major federal programs for the year ended June 30, 2020. The City of Danville, Kentucky's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Danville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Danville, 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 Danville, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Danville, 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, 2020.

Report on Internal Control Over Compliance

Management of the City of Danville, 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 Danville, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Danville, Kentucky's internal control over compliance.

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
August 9, 2021

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ☒ Yes ☐ No

Significant deficiencies identified that are not
considered to be material weaknesses ☐ Yes ☒ None reported

Non-compliance material to financial statements noted ☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not
considered to be material weaknesses ☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 – Coronavirus Relief Fund

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

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

**CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2020-001 – Material Weakness – Financial Statements

Criteria:

The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition:

Management was unable to prepare draft financial statements, including the related notes to the financial statements.

Cause:

The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect:

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

Recommendation:

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Response:

As correctly indicated the City was slow in reply on multiple occasions during the audit. The identified cause is also correctly identified in that the City has a need for improved in-house expertise related to financial reporting and compliance. The current condition is the result of a recent history of poorly training subordinate staff and a resistance to delegation of responsibilities. Current staff has made this observation as well. The City, approved by the Board of Commissioners, has responded by eliminating the position of CFO and adding two positions both of which with the preferred certification as a CPA. Position 1 is a bookkeeper to serve in support of staff and position 2, the Finance Director. The City is actively advertising for the Finance Director position and has completed the first round of interviews. We suspect the position to be filled within 45 days of this response.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE