

CITY OF WEST BUECHEL, KENTUCKY
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
JUNE 30, 2020

ANNUAL FINANCIAL REPORT
CITY OF WEST BUECHEL, KENTUCKY

Year Ended June 30, 2020

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STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

2821 S. Hurstbourne Parkway
Louisville, KY 40220
Phone: 502.491.5253 · Fax: 502.491.5270

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of West Buechel, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each fund, of the City of West Buechel, 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, and each fund, of the City of West Buechel, Kentucky, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's budgetary comparison information, net pension liability, and retirement system contributions on pages 32-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2021 on our consideration of the City of West Buechel, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of West Buechel, Kentucky's internal control over financial reporting and compliance.

Stuedle Spears & Company PSC

STUEDLE SPEARS & COMPANY PSC

July 26, 2021

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Total
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,408,255	\$ 1,408,255
Certificates of Deposit	15,376	15,376
Receivables		
Taxes	511,097	511,097
Due From Road Fund	1,000	1,000
Total Current Assets	1,935,728	1,935,728
Noncurrent Assets:		
Capital Assets (Net)	1,126,874	1,126,874
Total Noncurrent Assets	1,126,874	1,126,874
Total Assets	3,062,602	3,062,602
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflow of Resources OPEB	266,524	266,524
Deferred Outflow of Resources Pension	651,822	651,822
Total Deferred Outflow of Resources	918,346	918,346
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Bond Payable	17,084	17,084
Accounts Payable	9,569	9,569
Accrued Payroll Liabilities	34,840	34,840
Accrued Vacation	27,430	27,430
Due to General Fund	1,000	1,000
Total Current Liabilities	89,923	89,923
Noncurrent Liabilities		
Bond Payable	111,666	111,666
Net OPEB Liability	610,486	610,486
Net Pension Liability	2,336,202	2,336,202
Total Noncurrent Liabilities	3,058,354	3,058,354
Total Liabilities	3,148,277	3,148,277
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow of Resources OPEB	413,862	413,862
Deferred Inflow of Resources Pension	829,673	829,673
Deferred Inflow of Resources Taxes	314,443	314,443
Deferred Inflow of Resources Road Aid	101,123	101,123
Deferred Inflow of Resources Delinquent Property Taxes	50,901	50,901
Total Deferred Inflow of Resources	1,710,002	1,710,002
NET POSITION		
Net Investment in Capital Assets	998,124	998,124
Restricted for Police Programs	5,600	5,600
Unrestricted	(1,881,055)	(1,881,055)
Total Net Position	\$ (877,331)	\$ (877,331)

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 765,327	\$ -	\$ -	\$ -	\$ (765,327)
Police Department	1,151,748	-	-	51,454	(1,100,294)
Public Works	134,208	-	-	-	(134,208)
Code Enforcement	97,015	-	-	-	(97,015)
Community Center	88,609	-	-	-	(88,609)
Pension Expense	145,509	-	-	-	(145,509)
Interest on Long-Term Debt	4,548	-	-	-	(4,548)
Unallocated Depreciation	101,644	-	-	-	(101,644)
Total Governmental Activities	<u>2,488,608</u>	<u>-</u>	<u>-</u>	<u>51,454</u>	<u>(2,437,154)</u>
Total Primary Government	<u>\$ 2,488,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,454</u>	<u>\$ (2,437,154)</u>

General Revenues:

Taxes	\$ 2,517,672
Fines	193,157
License and Fees	52,727
Police Forfeiture	6,955
Other	26,274
Gain on Sale of Asset	6,294
Interest	<u>12</u>
Total General Revenues	<u>2,803,091</u>
Change in Net Position	365,937
Net Position - Beginning of Year	<u>(1,243,268)</u>
Net Position - June 30, 2020	<u>\$ (877,331)</u>

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Road Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,408,255	\$ -	\$ 1,408,255
Certificates of Deposit	15,376	-	15,376
Taxes Receivable	511,097	-	511,097
Due From Other Funds	1,000	-	1,000
Total Assets	\$ 1,935,728	\$ -	\$ 1,935,728
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 9,569	\$ -	\$ 9,569
Accrued Payroll Liabilities	34,840	-	34,840
Accrued Vacation	27,430	-	27,430
Due To Other Funds	-	1,000	1,000
Total Liabilities	71,839	1,000	72,839
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue	466,467	-	466,467
Total Deferred Inflows of Resources	466,467	-	466,467
FUND BALANCE			
Restricted for:			
Road Maintenance	-	(1,000)	(1,000)
Police Department	5,600	-	5,600
Unassigned, reported in:			
General Fund	1,391,822	-	1,391,822
Total Fund Balance	1,397,422	(1,000)	1,396,422
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,935,728	\$ -	\$ 1,935,728

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	\$	1,396,422
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,002,220		1,126,874
Deferred outflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		918,346
Deferred inflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		(1,243,535)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but are presented in statement of net position:		
Net Bond Payable		(128,750)
Net OPEB Liability		(610,486)
Net Pension Liability		(2,336,202)
		(2,336,202)
Net Position of Governmental Activities	\$	(877,331)

See accompanying notes to financial statements

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Road Maintenance Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,517,672	\$ -	\$ 2,517,672
Fines	193,157	-	193,157
Intergovernmental	51,454	-	51,454
License and fees	52,727	-	52,727
Police Forfeiture	6,955	-	6,955
Other	26,274	-	26,274
Interest	12	-	12
Sale of asset	9,925	-	9,925
Total Revenue	<u>2,858,176</u>	-	<u>2,858,176</u>
EXPENDITURES			
General Government	805,824	-	805,824
Police Department	1,272,299	-	1,272,299
Public works	164,322	-	164,322
Code Enforcement	97,015	-	97,015
Community Center	113,609	-	113,609
Roads and Sidewalks	-	-	-
Other	9,500	-	9,500
Debt Service	19,548	-	19,548
Total Expenditures	<u>2,482,117</u>	-	<u>2,482,117</u>
Net Change in Fund Balance	376,059	-	376,059
Fund balances-Beginning of year	<u>1,021,363</u>	<u>(1,000)</u>	<u>1,020,363</u>
Fund balances-June 30, 2020	<u><u>\$ 1,397,422</u></u>	<u><u>\$ (1,000)</u></u>	<u><u>\$ 1,396,422</u></u>

See accompanying notes to financial statements

CITY OF WEST BUECHEL, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - Total Governmental Funds \$ 376,059

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	236,263
Loss on disposal of asset	(14,232)
Depreciation expense	<u>(101,644)</u>
	120,387

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principle reduces long-term liabilities in the Statement of Net Position. 15,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefor are not reported as expenditures in the governmental funds. This amount related to:

Pension and OPEB expense	<u>(145,509)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 365,937</u></u>
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CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's financial statements are prepared in accordance with accounting principles generally accepted in the U.S (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

1.A. FINANCIAL REPORTING ENTITY

The City of West Buechel, Kentucky (the City) is a home rule city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, gross receipts tax, occupational taxes, insurance premium taxes, business licenses, municipal road aid, and base court revenue. Those revenues susceptible to accrual are property taxes, gross receipts tax, occupational taxes, insurance premium taxes and municipal road aid.

All significant activities and organizations on which the City of West Buechel, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2020. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial Interdependency – The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority – The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. The authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in the City Council.

Following consideration of the above criteria, no additional entities are deemed to be component units of the City.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the City accompanied by a total column.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.B. BASIS OF PRESENTATION (CONTINUED)

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As of June 30, 2020, the City did not have any business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets and deferred outflows, liabilities and deferred inflows, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental fund are at least 10 % of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows, liabilities and deferred inflows,, revenues, or expenditures/expenses of the individual governmental fund are at least 5 % of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Road Fund is presented as a special revenue fund.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year for which they are levied.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

Investments

Investments of the primary government are valued at fair market value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments of the City comply with the Kentucky Revised Statutes 66.480 concerning the types of investments allowed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end, but not yet received within 60 days from the close of the year. Major receivable balances for the government activities primarily include property taxes, occupational taxes, and insurance taxes. Property taxes receivable represents property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. The portion of the property tax receivable not received within 60 days from the close of the year is offset to deferred inflows of resources delinquent property taxes. Road aid receivable represents road aid receivable which are measurable as of June 30, 2020. The portion of the road aid receivable not received within 60 days from the close of the year is offset to deferred inflows of resources road aid.

In the fund financial statements, material receivables in government funds include revenue accruals such as property tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Property taxes receivable represents property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Property taxes receivable represents property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. The portion of the property tax receivable not received within 60 days from the close of the year is offset to deferred inflows of resources unavailable revenue.

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2003 the City was required to keep a record of all infrastructure assets placed in service from that date forward.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Fixed Assets (Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings 30-40 years
Improvements 10-20 years
Furniture and Fixtures 5 to 15 years
Machinery and Equipment 5 -15 years
Vehicles 5 to 10 years
Infrastructure 7 to 25 years

Inventories

Disbursements for inventory type items are considered expenditures at the time of purchase.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has four items that qualify for reporting in this category. These include the City's pension contributions made subsequent to the measurement date, differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments and changes in assumptions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has reported in this category resources relating to property taxes, municipal road aid, and advanced collection of gross receipts taxes. The City has also reported in this category resources relating to change in proportion and differences between employer contributions and proportionate share of contributions. Refer to the Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension in Note 4.A, Retirement Plan and the Post- Employment Benefits Other than Pensions (OPEB).

In the governmental funds balance sheet, the City has reported unavailable revenue. The unavailable revenue is from two sources: property taxes and advanced collection of gross receipts taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Due to and Due from Other Funds

Activities between funds that are representative outstanding balances at the end of the fiscal year are referred to as either "due to/from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The balances reported on the Governmental Funds Balance Sheet represents due from the Road Fund to the General Fund that resulted from lack of funds in Road Fund account to pay bank service charges that were incurred in a prior fiscal year.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Accounts Payable

Accounts payable consists of trades payable to vendors who provide goods and services to the City.

Compensated Absences

All unpaid, compensated absences that will be liquidated with expendable available financial resources have been accrued as a liability in the General Fund. In the combined government-wide statement of net position, the total amount of unpaid, compensated absences is reported within accrued wages and benefits. Earned vacation pay may be paid upon termination of employment.

Pensions

For the 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the City's 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 CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured at June 30, 2018.

Equity Classifications

Government-wide Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consist of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other assets that do not meet the definition of "restricted" or "i Net investment in capital assets."

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Equity Classifications (Continued)

Fund Financial Statements:

The City of West Buechel adopted GASB 54, Fund Balance Reporting and governmental Fund Type Definitions. 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 that can be spent only for specific purposes because of 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 that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Mayor or designee may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax Revenue

The City assesses property taxes in July of each calendar year (.213 per \$100 of assessed value) based upon an assessment date of January 1st. Bills are mailed on October 1st payable by January 2nd of the next calendar year. Bills paid on or before November 1st are allowed a 2% discount; bills paid after that date, but before January 2nd are not allowed a discount nor are subject to a penalty. All bills not paid after January 2nd, but before June 30th of the following year are charged a 10% penalty plus 12% interest per annum. Bills paid after July 1st are charged an additional 10% penalty above what was previously described and accrue interest charges until paid.

Occupational License Tax

The City assesses an occupational tax of 1.5% of wages on persons who work within the City of West Buechel in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing wages and tax withholdings. The maximum liability for an individual under this ordinance is \$50,000.

Gross Receipts Taxes

The City imposed a tax of .25% of gross receipts for business operating within the City with a minimum fee of \$500.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.E. REVENUES, EXPENDITURES, AND EXPENSES (CONTINUED)

Expenditures/Expenses

Expenses are classified by function/program in the government-wide statement of activities. Expenditures are classified by function in the governmental fund financial statements. Indirect expenses are not allocated to functions in the statement of activities.

1.F. ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. DEPOSITS AND INVESTMENTS

The City maintains their cash and investment accounts with local banks. Cash consists of direct deposit accounts and investments consist of two certificates of deposit. At June 30, 2020 the carrying amount of unrestricted cash and investments was \$1,423,631 and the bank balance was \$1,452,512.

In accordance with Kentucky Revised Statute (KRS) 66.480, the deposits are to be insured by the federal depository insurance or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), it shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS.66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2020, \$1,187,137 of the City's bank balances of \$1,452,512 was exposed to custodial credit risk as described below. \$265,375 of the City's deposits was covered by Federal depository insurance at June 30, 2020.

The City of West Buechel, Kentucky categorizes deposits at local financial institutions to give an indication of the level of custodial credit risk assumed by the City at fiscal year end.

The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

2.A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits categorized by level of risk at June 30, 2020 are as follows:

Account	Bank Balance	Category			Carrying Amount
		1	2	3	
Total	\$ 1,452,512	\$ 265,375	\$ -	\$ 1,187,137	\$ 0

Investments consist of two certificates of deposit with an original maturity date of greater than 90 days.

	Assets at Fair Value as of June 30, 2020			
	Fair Value	Cost	Interest Rate	Maturity Date
5/3 Certificate of Deposit	\$ 11,127	\$ 11,127	0.04%	10/21/2021
5/3 Certificate of Deposit	4,249	\$ 4,249	0.04%	10/21/2021
Certificates of Deposit	\$ 15,376	\$ 15,376		

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. ACCOUNTS RECEIVABLE

Receivable Type	Statement of Net Position Governmental Activities	Balance Sheet- Governmental Funds
Property Tax	\$ 54,895	\$ 54,895
Occupational Tax	247,034	247,034
Insurance Premium Tax	94,078	94,078
Municipal Road Aid	101,123	101,123
Business License	12,855	12,855
Accounts Receivable-Other	1,112	1,112
Total Receivables	\$ 511,097	\$ 511,097

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 3— DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.B. CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Governmental activities:				
Land	\$ 241,497	\$ 9,500	\$ -	\$ 241,497
Buildings	877,238	64,919	-	942,157
Vehicles	436,706	134,862	132,058	439,510
Equipment, Furniture, and Fixtures	63,799	26,982	6,789	83,992
Infrastructure	412,438	-	-	412,438
CIP	<u>2,031,678</u>	<u>236,263</u>	<u>138,847</u>	<u>2,129,094</u>
Totals at historical cost				
Less accumulated depreciation				
Buildings	(530,813)	(15,207)	-	(546,020)
Vehicles	(303,496)	(51,524)	(123,257)	(231,763)
Equipment, Furniture, and Fixtures	(16,030)	(14,078)	(1,358)	(28,750)
Infrastructure	<u>(174,852)</u>	<u>(20,835)</u>	<u>-</u>	<u>(195,687)</u>
Total accumulated depreciation	<u>(1,025,191)</u>	<u>(101,644)</u>	<u>(124,615)</u>	<u>(1,002,220)</u>
Net capital assets	<u>\$ 1,006,487</u>	<u>\$ (101,644)</u>	<u>\$ (124,615)</u>	<u>\$ 1,126,874</u>

3.C. LONG-TERM DEBT

On July 31, 2012, the City entered into an agreement with the Kentucky Bond Corporation to finance the acquisition, construction, and installation of a building to be used as a maintenance garage by the City. The note payable had an initial principal balance of \$260,000 and matures on January 1, 2027. The amount due as of June 30, 2020 was \$128,750 with the current portion due in one year being \$17,084 as of June 30, 2020.

The following is a schedule of the annual debt service requirements to maturity for the City:

Year end	Principle	Interest	Fees	Debt Service
6/30/2021	\$ 17,084	\$ 3,431	\$ 772	\$ 21,287
6/30/2022	20,000	3,053	729	23,782
6/30/2023	20,000	2,577	679	23,256
6/30/2024	20,000	2,066	629	22,695
6/30/2025	20,000	1,527	579	22,106
6/30/2026-27	<u>31,666</u>	<u>1,300</u>	<u>821</u>	<u>33,787</u>
	<u>\$ 128,750</u>	<u>\$ 13,954</u>	<u>\$ 4,209</u>	<u>\$ 146,913</u>

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 3— DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.C. LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Note Payable	\$ 143,750	\$ -	\$ 15,000	\$ 128,750
	<u>\$ 143,750</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 128,750</u>

NOTE 4— OTHER NOTES

4.A. EMPLOYEE PENSION PLAN

Plan Description- The City contributes to the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. 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.

CERS was created by the Kentucky General Assembly. Benefits are fully vested immediately upon reaching 60 months of service and are established by state statutes. Benefits of CERS members are calculated on the basis of age, final average salary and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

For the fiscal year ended June 30, 2020 the City's covered payroll for hazardous and non-hazardous positions was \$563,650. Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2020.

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 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 the actuarial basis adopted by the Board. The City's contribution rate for non-hazardous employees was 24.06%, 21.48% and 19.18% for the years ended June 30, 2020, 2019 and 2018, respectively. The City's contribution rate for hazardous employees was 39.58%, 35.34% and 31.55% for the years ended June 30, 2020, 2019 and 2018, respectively.

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 4.A. Employee Pension Plan other postemployment benefits. Plan members contributed 19.30% 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.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

General information about County Employees Retirement System (CERS) The City of West Buechel 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.

Plan members who began participating on, or after, January 1, 2014, were 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 \$46,967 for non-hazardous job classifications, and \$187,537 for hazardous job classifications, total \$234,504. The contributions are allocated to both the pension \$164,153 and insurance trusts \$70,351.

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 WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (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+ and 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+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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:

Net Pension Liability - nonhazardous	\$	598,442
Net Pension Liability - hazardous		1,737,760
Total	<u>\$</u>	<u>2,336,202</u>

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

At June 30, 2020, the City reported a liability of \$2,366,202 for its proportionate share of the net pension liability. 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, 2017. 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 .0085% for non-hazardous and .0629% for hazardous.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, the City recognized pension expense of \$902,637. 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
Liability Experience	\$ 89,113	\$ 2,529
Assumption Change	229,252	-0-
Investment Experience	38,221	72,461
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,083	754,683
City contributions subsequent to the measurement date	164,153	-0-
Total	\$ 651,822	\$ 829,673

The \$164,153 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ (65,644)
2021	(197,584)
2022	(81,027)
2023	2,251

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2019 was performed by Gabriel, Roeder, Smith & Company (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ended June 30, 2019, using generally accepted actuarial principles.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

There have been no changes in plan provisions since June 30, 2018, however, the Kentucky Employees Retirement Systems' Board of Trustees has adopted new actuarial assumptions since June 30, 2018. The total pension liability as of June 30, 2019, was determined using these updated assumptions.

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous (prior year assumptions - 3.05%)
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, 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 the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	18.75%	4.30%
Non- U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/ High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Diversified Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>6.25%</u>

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 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%	\$ 748,481	1% decrease	5.25%	\$ 2,172,590
Current discount rate	6.25%	598,442	Current discount rate	6.25%	1,737,760
1% increase	7.25%	473,386	1% increase	7.25%	1,381,262

Payable to the Pension Plan - At June 30, 2020, the City reported a payable of \$15,413 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.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided.

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2020 was the 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. For the year ended June 30, 2020, contributions to the Insurance Fund from the City were \$12,017 for non-hazardous job classifications, and \$58,334, for hazardous job classifications. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of 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, using generally accepted actuarial principles.

There have been no changes in plan provisions since June 30, 2018, however, the Kentucky Employees Retirement Systems' Board of Trustees has adopted new actuarial assumptions since June 30, 2018. The total OPEB liability as of June 30, 2019, was determined using these updated assumptions.

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service, including inflation
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over 12 years
Post-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over 10 years

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, 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 the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

The projection of cash flows used to determine the discount rate of 5.68% for nonhazardous and 5.69% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) 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 3.13%, 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 Kentucky Retirement System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Kentucky Retirement System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the pension section above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	18.75%	4.30%
Non- U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/ High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Diversified Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>6.25%</u>

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate follows:

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	4.68%	194,422	1% decrease	4.69%	649,256
Current discount rate	5.58%	145,136	Current discount rate	5.59%	465,350
1% increase	6.68%	104,527	1% increase	6.69%	316,071

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

Non-hazardous			Hazardous		
		City's proportionate share of net OPEB liability			City's proportionate share of net OPEB liability
1% decrease		107,938	1% decrease		323,797
Current discount rate		145,136	Current discount rate		465,350
1% increase		190,242	1% increase		638,036

CITY OF WEST BUECHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

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

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

Net OPEB Liability - nonhazardous	\$	145,136
Net OPEB Liability - hazardous		465,350
Total		610,486

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

At June 30, 2020, the City reported a liability of \$610,486 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2019. This method to be reflective of the employers' long-term contribution effort. At June 30, 2019, the City's proportion was 0.008629% for nonhazardous and .062897% for hazardous.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$70,351. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Expense	\$ -0-	\$ 130,361
Assumption Change	183,574	1,168
Investment Experience	4,136	37,337
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,463	244,996
City contributions subsequent to the measurement date	70,351	-0-
Total	<u>\$ 266,524</u>	<u>\$ 413,862</u>

The \$70,351 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. 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,	
2020	(37,296)
2021	(62,037)
2022	(70,815)
2023	(34,941)
2024	(10,010)
Thereafter	(2,590)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.B. INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police incentive training and other miscellaneous operating costs during the year ended June 30, 2020 that are recorded in the General Fund.

4.C. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2020 are as follows:

		Interfund Receivable		Interfund Payable
General Fund	S	1,000	\$	-
Road Fund		-		1,000
	\$	<u>1,000</u>	\$	<u>1,000</u>

4.D. MAJOR TAXPAYERS

Walmart, Kroger, Lowes, and Target are major taxpayer of the City of West Buechel. Occupational, Gross Receipts, and Property taxes collected from them represented the majority these taxes collected.

4.E. LITIGATION

The City is a party to several pending lawsuits that normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels any potential loss is uncertain.

4.F. 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; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City.

4.G. - BUDGET

The City did not exceed total budgeted appropriations in the fiscal year ended June 30, 2020. Variances did exist between individual line items.

4.H.- SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through July 26, 2021.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 4 – OTHER NOTES (CONTINUED)

4.H.- COVID IMPACT

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The City continues to monitor the direct and indirect effects of COVID-19, which has led to closing of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projects reflecting any significant changes in revenues, other activities affecting the City as a result of the coronavirus.

4.J.-RECENT GASB PRONOUNCEMENTS

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements:

In June 2018, the GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement becomes effective for the fiscal year June 30, 2021. The District is evaluating the impact of this Statement on the combined financial statements.

GASB Statement No. 87, Leases, will be effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2019, the GASB issued Statement No. 91 "Conduit Debt Obligations" requiring a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with related obligations, commitments, and footnote disclosures. This Statement becomes effective for the fiscal year June 30, 2022. The District is evaluating the impact of this Statement on the combined financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule

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

Schedule of City's Contributions County Employees Retirement System

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

Schedule of City's Contributions County Employees Retirement System OPEB

Notes to Supplemental Information

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Bank Franchise Taxes	\$ -	\$ 55,000	\$ 52,604	\$ (2,396)
Base Court	8,972	10,000	7,824	(2,176)
Business License	25,000	45,000	51,680	6,680
Fines & Citations	189,846	192,000	193,157	1,157
Gross Receipts Taxes	600,000	760,000	777,630	17,630
Insurance Premium Taxes	266,960	366,000	378,257	12,257
KLEFPF	38,616	45,000	43,630	(1,370)
Occupational Taxes	1,140,000	1,035,000	1,018,094	(16,906)
Other Income	6,075	20,030	21,924	1,894
Penalties & Interest	500	-	-	-
Police Forfeiture	16,371	6,570	6,955	385
Police Reports	3,045	1,020	1,047	27
Interest	-	-	12	12
Property Taxes	250,000	283,030	285,699	2,669
Rentals	4,680	4,350	4,350	-
Telecommunications Tax	5,364	5,400	5,388	(12)
Sale of asset	-	-	9,925	9,925
Total Revenue	<u>2,555,429</u>	<u>2,828,400</u>	<u>2,858,176</u>	<u>29,776</u>
EXPENDITURES				
Administration	924,267	925,800	805,824	(119,976)
Police Department	1,251,528	1,343,175	1,272,299	(70,876)
Public works	183,310	194,950	164,322	(30,628)
Code Enforcement	95,875	100,310	97,015	(3,295)
Community Center	100,449	125,750	113,609	(12,141)
Other	-	-	9,500	9,500
Debt Service	-	-	19,548	19,548
Total Expenditures	<u>2,555,429</u>	<u>2,689,985</u>	<u>2,482,117</u>	<u>(207,868)</u>
Net Change in Fund Balance	-	138,415	376,059	237,644
Fund balances-Beginning of year	<u>1,020,363</u>	<u>1,020,363</u>	<u>1,020,363</u>	<u>-</u>
Fund balances-June 30, 2020	<u>\$ 1,020,363</u>	<u>\$ 1,158,778</u>	<u>\$ 1,396,422</u>	<u>\$ 237,644</u>

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2020**

SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY

	<u>2020</u>	<u>2019</u>	<u>2018-2010</u>
NON-HAZARDOUS			
City's proportion of net pension liability	0.0085%	0.0114%	Chart to be expanded in future years to cover 10 year trend analysis.
City's proportionate share of the net pension liability	\$598,442	\$691,676	
City's covered-employee payroll	\$195,210	\$158,135	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	306.56%	437.40%	
Plan Fiduciary net position as a percentage of the total pension	53.54%	53.54%	
HAZARDOUS			
City's proportion of net pension liability	0.0629%	0.0991%	
City's proportionate share of the net pension liability	\$1,737,760	\$2,397,320	
City's covered-employee payroll	\$473,818	\$275,876	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	366.76%	868.98%	
Plan Fiduciary net position as a percentage of the total pension	49.26%	49.26%	

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF CITY'S CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

NON-HAZARDOUS	<u>2020</u>	<u>2019</u>	<u>2018-2010</u>
Contractually required contribution	\$ 37,675	\$ 35,624	Chart to be expanded in future years to cover 10 year trend analysis.
Contribution in relation to the contractually required contribution	<u>(37,675)</u>	<u>(35,624)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered employee payroll	\$ 195,210	\$ 158,135	
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

HAZARDOUS	<u>2020</u>	<u>2019</u>	
Contractually required contribution	\$ 142,429	\$ 97,495	
Contribution in relation to the contractually required contribution	<u>(142,429)</u>	<u>(97,495)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered employee payroll	\$ 473,818	\$ 275,876	
Contributions as a percentage of covered-employee payroll	30.06%	24.87%	

**CITY OF WEST BUECHEL, KENTUCKY
 SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION OPEB LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 JUNE 30, 2020**

SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY OPEB

	<u>2020</u>	<u>2019</u>	<u>2018-2010</u>
NON-HAZARDOUS			
City's proportion of net pension liability	0.8629%	0.0114%	Chart to be expanded in future years to cover 10 year trend analysis.
City's proportionate share of the net pension liability	\$145,136	\$201,641	
City's covered-employee payroll	\$195,210	\$47,235	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	74.35%	426.89%	
Plan Fiduciary net position as a percentage of the total pension liability	57.62%	57.62%	
HAZARDOUS			
City's proportion of net pension liability	0.6290%	0.0991%	
City's proportionate share of the net pension liability	\$465,350	\$706,771	
City's covered-employee payroll	\$473,818	\$82,404	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	98.21%	857.69%	
Plan Fiduciary net position as a percentage of the total pension liability	64.24%	64.24%	

**CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF CITY'S CONTRIBUTIONS OPEB
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

NON-HAZARDOUS	2020	2019	2018-2010
Contractually required contribution	\$ 9,292	\$ 10,641	Chart to be expanded in future years to cover 10 year trend analysis.
Contribution in relation to the contractually required contribution	(9,292)	(10,641)	
Contribution deficiency (excess)	\$ -	\$ -	
Covered employee payroll	\$ 195,210	\$ 47,235	
Contributions as a percentage of covered-employee payroll	4.76%	5.26%	

SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS

HAZARDOUS	2020	2019	
Contractually required contribution	\$ 45,107	\$ 29,122	
Contribution in relation to the contractually required contribution	(45,107)	(29,122)	
Contribution deficiency (excess)	\$ -	\$ -	
Covered employee payroll	\$ 473,818	\$ 82,404	
Contributions as a percentage of covered-employee payroll	9.52%	10.47%	

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO SUPPLEMENTAL INFORMATION
JUNE 30, 2020

NOTE A - ACCOUNTING POLICIES

For purposes of determining 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's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned, and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

NOTE B - CHANGES OF BENEFIT TERMS

There were no changes of benefit terms as of the June 30, 2019 valuation.

NOTE C - CHANGES OF ASSUMPTIONS

There were no changes of assumptions as of the June 30, 2019 valuation.

NOTE D - MEASUREMENT DATE

The measurement date of the net pension liability is one year preceding the fiscal year of the city.

STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

2821 S. Hurstbourne Parkway
Louisville, KY 40220
Phone: 502.491.5253 · Fax: 502.491.5270

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 City Council
City of West Buechel, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund of the City of West Buechel, 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 West Buechel, Kentucky's basic financial statements and have issued our report thereon dated July 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Buechel, 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 West Buechel, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Buechel, 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 were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as item 2020-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Buechel, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as items 2020-2 and 2020-3.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

City's Response to Findings

City of West Buechel, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of West Buechel, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Stuedle Spears & Company PSC

STUEDLE SPEARS & COMPANY PSC

July 26, 2021

CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

FINDINGS- MATERIAL WEAKNESS

Finding 2020-01

The City should maintain complete and accurate capital schedules to comply with GASB 34 requirements and inventory capital assets periodically. (repeat and revised)

GASB 34 requirements necessitate the City maintaining a complete and accurate fixed asset register. The City did not have a completed capital asset schedule for fiscal year ending June 30, 2020. A list of capital asset additions and disposals were not properly maintained.

By having weak internal controls over capital assets, assets are left vulnerable to misappropriation or misstatement. In this case, misstatements were able to occur without detection. Strong internal controls over capital assets are necessary to ensure accurate financial reporting, to protect assets from misappropriation, and to ensure accurate insurance coverage. Fixed asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control and long range planning for property replacement.

Recommendation: We recommend that the City maintain a complete and accurate fixed asset register to comply with GASB 34 requirements. The fixed asset register should be monitored and maintained on a regular basis. As new assets are acquired, they should be added to the listing and as equipment is disposed of it should be removed from the listing. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. The City should take a physical inventory of its capital assets on an annual basis to ensure that only active, in-service machinery and equipment is included on the City's financial statements. This will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable listing.

Views of Responsible Official and Planned Corrective Action:

Based on the timing of the prior audit, the City was unable to fully correct this item in a timely fashion for the current audit. Procedures will be in place to address this issue in future audits.

FINDINGS- COMPLIANCE AND OTHER MATTERS

Finding 2020-02

The City did not follow the procedures established pursuant to Section 91A.050 of the Kentucky Revised Statutes to have an annual audit completed and submitted to the State. (repeat and revised)

Per KRS 91A.040 the City is required to have an audit completed and submitted to the State by February 1, of the year following its year-end (2-1-21). The audit was not submitted to the State by the compliance deadline.

City management did not submit its June 30, 2020 financial statements and supporting records/documentation to its auditor until May 2021.

Recommendation: We recommend that City management close its books in a timely manner to enable the submission of the City's financial statements and related records/ documentation to the auditor to allow the timely completion of the audit and presentation of audited financials to the City Council and the timely submittal of the audit to the State.

CITY OF WEST BUECHEL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2020

Finding 2020-02 (Continued)

Views of Responsible Official and Planned Corrective Action:

Due to the length of time that had passed since an audit of the City had been performed, this administration was unable to find and contract with an audit firm to perform the audit for the fiscal year ending June 30, 2019. The delays in getting that audit started in turn lead to the delay in starting the audit for the fiscal year ending June 30, 2020. At this time the City is not aware of any issues that would prevent the audit of the most recent fiscal year from being completed within the time frame outlined in the referenced KRS Statute.

Finding 2020-03

The City had \$1,187,137 uninsured deposits as of June 30, 2020 (repeat)

At June 30, 2020, the City had two accounts with one bank with aggregate deposits of \$1,437,137. The deposits were covered by the FDIC up to \$250,000 leaving \$1,187,137 of deposits which were uninsured. The City did not have a collateralization agreement with the bank whereby the bank would pledge securities in the City's name to cover the shortfall, as required by KRS.

Recommendation: We recommend the City adopt an investment policy to stipulate that all cash/investments deposits be fully covered by the FDIC and have a supporting collateralization agreement with its bank if the circumstances dictate.

Views of Responsible Official and Planned Corrective Action:

The City will take all necessary actions to minimize this risk and ensure that all funds of the City that require collateralization are adequately collateralized.