

CITY OF CRESCENT SPRINGS, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

CITY OF CRESCENT SPRINGS, KENTUCKY
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Pages</u>
Introductory Section	
City Officials.....	1
Financial Section	
Independent Auditor's Report.....	2-3
Management's Discussion and Analysis.....	4-8
Basic Financial Statements	
Government - Wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to Financial Statements.....	14-32
Required Supplementary Information:	
Budgetary Comparison Schedule - Budget to Actual - General Fund.....	33
Budgetary Comparison Schedule - Budget to Actual - Municipal Aid Road Fund.....	34
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure.....	35
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure.....	36
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements <i>Performed in Accordance with Government Auditing Standards</i>	37-38

CITY OF CRESCENT SPRINGS, KENTUCKY

CITY OFFICIALS

As of June 30, 2020

Mayor

Lou Hartfiel

Council Members

Vince Albanese

Christie Arlinghaus

Patrick Hackett

Chad Longbons

Joel McMonigle

Bob Mueller

Management

Mike Daly, City Administrator

April Robinson, City Clerk / Treasurer

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council of the
City of Crescent Springs, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Crescent Springs, 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.

-Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Crescent Springs, Kentucky as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4–8, and the budgetary comparison, pension, and OPEB disclosure schedules on pages 33-36 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 January 20, 2021 on our consideration of the City of Crescent Springs, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the City of Crescent Springs, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crescent Springs, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky

January 20, 2021

City of Crescent Springs, Kentucky
Fiscal Year 2020
Management's Discussion and Analysis

Our discussion and analysis of the City of Crescent Springs' financial performance for the fiscal year ended June 30, 2020, is intended to compliment the formal financial statements that begin on page 9. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The Auditors notes, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

OVERVIEW OF THIS ANNUAL REPORT

This Annual Report consists of:

1. The Audit Opinion, pages 2 and 3.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 9 thru 13.
4. Notes and required supplementary information.
5. Compliance and other matters.

The City's financial statements are presented in two formats, each with a different perspective of the City's finances. Government-wide statements present the finances of the City as one complete entity, while the Fund financial statements attempt to isolate various departments or activities within the City's structure and provide greater detail. Both approaches are useful in understanding the City's financial structure.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Government-wide financial statements provide us with the total net position of the City and the changes in them from prior periods. One can think of the City's net position—the difference between assets and liabilities—in the same way as one would calculate their personal net worth. The year-end net position of the city, its equity, can be compared to prior years to determine if the City's equity is growing or shrinking. This is an important measurement of how the City is doing financial wise. Of course the financial results of any entity must be evaluated in conjunction with the local economic environment and a host of non-financial factors such as, population growth, infrastructure asset condition, new or changed government legislation, and the types and levels of services to be provided.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation familiar. The focus of these financial statements is on the City's various funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

All of the City's funds are Governmental Funds—The City's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to

finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided funds statement that explains the relationship (or differences) between them. Crescent Springs has two "governmental funds". The largest is the General Fund, which uses general revenues to provide city services and cover operating expenses. The Municipal Aid Road Fund houses grant receipts to be used only for specific purposes in accordance with Kentucky Revised Statutes.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2020, net position changed as follows:

Beginning net position	\$ 4,231,889
Increase in net position	<u>37,599</u>
Ending net position	<u>\$ 4,269,488</u>

The City's Net Position at June 30, 2020 and 2019 is as follows:

	Net Position	
	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 2,709,285	\$ 2,434,487
Capital Assets, Net	<u>2,745,726</u>	<u>2,844,807</u>
Total Assets	5,455,011	5,279,294
Deferred Outflow of Resources	<u>297,961</u>	<u>349,669</u>
Total Assets and Deferred Outflows	<u>5,752,972</u>	<u>5,628,963</u>
Current Liabilities	131,140	29,175
Long Term Liabilities	<u>1,209,660</u>	<u>1,259,958</u>
Total Liabilities	1,340,800	1,289,133
Deferred Inflow of Resources	<u>142,684</u>	<u>107,941</u>
Total Liabilities and Deferred Inflows	<u>1,483,484</u>	<u>1,397,074</u>
Net Position		
Net Investment in Capital Assets	2,650,678	2,702,807
Restricted	62,030	50,815
Unrestricted	<u>1,556,780</u>	<u>1,478,267</u>
Total Net Position	<u>\$ 4,269,488</u>	<u>\$ 4,231,889</u>

Cash and equivalents totaled \$2,335,764 at the end of fiscal year 2020, an increase of \$258,838 from last year. This increase is attributable primarily to a decrease in capital expenses from the prior year.

At the end of June 30, 2020, the city had \$2,650,678 invested in capital assets, net of related debt, comprised of maintenance equipment, buildings, park facilities and roads.

The City's Change in Net Position at June 30, 2020 and 2019 is as follows:

Change in Net Position

Revenues	Governmental Activities	
	2020	2019
Program Revenues		
Charges for services	\$ 2,927	\$ 10,560
Operating grants and contributions	95,497	106,707
General Revenue		
Taxes	965,119	948,546
Licenses and permit fees	1,490,944	1,533,204
Unrestricted investment earnings	14,031	12,463
Miscellaneous	92,825	282,309
Total Revenue	<u>2,661,343</u>	<u>2,893,789</u>
Program Expenses		
Administration	544,450	579,414
Safety services	1,108,552	1,016,277
Public works	682,433	626,613
Unallocated depreciation	285,084	257,626
Interest on long-term debt	3,225	661
Total Program Expenses	<u>2,623,744</u>	<u>2,480,591</u>
Net Change in Net Position	<u>\$ 37,599</u>	<u>\$ 413,198</u>

PERFORMANCE TO BUDGET

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. However, 2020 General Fund revenues were \$59,035 below budgeted revenues. Expenditures were under budget by \$51,181. The City budgets capital expenditures within the related program expenditure, Public Works in the General and Municipal Road Aid Funds. The City expended \$58,706 for street repair as part of the Municipal Road Aid Fund.

Taxes are the primary source of income to the City. Property tax increased \$2,054 or 0.2% and Insurance premium tax collections increased \$53,126 (13.0%). Due to the effects of business closures during the COVID-19 Global Pandemic, Payroll Taxes decreased \$90,465, or 9.7%.

The majority of the City's expenses are dedicated to Public Safety (42.3%), Maintenance and Public Works (26.0%), and Administration (20.8%). Overall net expenses decreased by \$92,925 (3.7%) for the fiscal year. This decrease is primarily attributable to smaller outlays for capital street work in 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Land	\$ 235,922	\$ 235,922
Construction in progress	-	57,285
Buildings	1,153,447	1,153,447
Infrastructure	6,115,624	5,962,675
Equipment	353,874	374,280
Vehicles	555,705	511,795
Totals	<u>\$ 8,414,572</u>	<u>\$ 8,295,404</u>

This year's net increase of \$228,426 in capital assets included:

Street improvements	\$ 58,706
Park improvements	8,147
Infrastructure improvements	59,680
Maintenance vehicles	59,470
Retirement of old assets	(66,835)
	<u>\$ 119,168</u>

Debt

At June 30, 2020, the City has \$95,048 in outstanding debt. The following is a summary of the City's debt transactions during the year ended June 30, 20120:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
2019 Freightliner Dump Truck	\$ 142,000	\$ -	\$ (46,952)	\$ 95,048
	<u>\$ 142,000</u>	<u>\$ -</u>	<u>\$ (46,952)</u>	<u>\$ 95,048</u>

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2020, the City is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the District is a participant. The net pension and OPEB liability, \$1,122,338, the deferred outflow of resources, \$297,961, and the deferred inflow of resources, \$142,684, on the Statement of Net Position at June 30, 2020 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note G in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City may not expect revenues to increase in the coming year. Due to the COVID-19 Global Pandemic, the City does not expect payroll taxes to rebound to pre-pandemic levels. The present economic conditions will also impact new development and payroll taxes to the extent that they offset recent gains in property taxes. The 2021 budget may require amendments and work will begin on the 2021-2022 budgets shortly.

In summary, the fiscal year 2021 budget should be adequate to continue the City's delivery of high-quality public service in a manner consistent with previous years. Care will be taken that all expenditures are prudent, and that the City can maintain its strong financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrative Officer at 739 Buttermilk Pike, Crescent Springs, Kentucky 41017.

Mike Daly

Mike Daly
City Administrative Officer

CITY OF CRESCENT SPRINGS, KENTUCKY STATEMENT OF NET POSITION June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,335,764
Receivables	
Taxes	4,579
Intergovernment	5,626
Accounts	360,856
Prepays	2,460
Capital assets not being depreciated	235,922
Capital assets, net of accumulated depreciation	<u>2,509,804</u>
Total Assets	5,455,011
Deferred Outflow of Resources	
Deferred outflows from net pension and OPEB liability	<u>297,961</u>
Total Deferred Outflow of Resources	297,961
Total Assets and Deferred Outflow of Resources	<u>5,752,972</u>
Liabilities	
Accounts payable	78,527
Accrued liabilities	5,952
Notes payable in current period	46,661
Noncurrent liabilities	
Compensated absences	38,935
Notes and leases payable	48,387
Net pension and OPEB liability	<u>1,122,338</u>
Total Liabilities	1,340,800
Deferred Inflow of Resources	
Deferred inflows from net pension and OPEB liability	<u>142,684</u>
Total Deferred Inflow of Resources	142,684
Total Liabilities and Deferred Inflow of Resources	<u>1,483,484</u>
Net Position	
Net investment in capital assets	2,650,678
Restricted for Municipal Road Aid	62,030
Unrestricted	<u>1,556,780</u>
Total Net Position	<u>\$ 4,269,488</u>

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

CITY OF CRESCENT SPRINGS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs Primary Government	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 544,450	\$ 2,927	\$ 10,639	\$ -	\$ (530,884)
Safety services	1,108,552	-	12,696	-	(1,095,856)
Public works	682,433	-	72,162	-	(610,271)
Unallocated depreciation	285,084	-	-	-	(285,084)
Interest on long term debt	3,225	-	-	-	(3,225)
Total Governmental Activities	\$ 2,623,744	\$ 2,927	\$ 95,497	\$ -	(2,525,320)
General revenues					
Taxes					
Property taxes, levied for general purposes 882,582					
Taxes levied on bank deposits 82,537					
Licenses and permit fees					
Payroll taxes 838,932					
Insurance premium 460,545					
Other 191,467					
Investment earnings 14,031					
Miscellaneous 92,825					
Total general revenues 2,562,919					
Change in net position 37,599					
Net position, beginning 4,231,889					
Net position, ending \$ 4,269,488					

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

CITY OF CRESCENT SPRINGS, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2020
--

	General Fund	Municipal Aid Road Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,220,654	\$ 115,110	\$ 2,335,764
Receivables			
Taxes	4,579	-	4,579
Intergovernmental	-	5,626	5,626
Accounts	360,856	-	360,856
Prepaid	2,460	-	2,460
Total Assets	<u>\$ 2,588,549</u>	<u>\$ 120,736</u>	<u>\$ 2,709,285</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 19,821	\$ 58,706	\$ 78,527
Accrued expenses	5,952	-	5,952
Deferred revenues	4,579	-	4,579
Total Liabilities	<u>30,352</u>	<u>58,706</u>	<u>89,058</u>
Fund Balances			
Nonspendable - prepaids	2,460	-	2,460
Restricted - streets	-	62,030	62,030
Unassigned	2,555,737	-	2,555,737
Total Fund Balances	<u>2,558,197</u>	<u>62,030</u>	<u>2,620,227</u>
Total Liabilities and Fund Balances	<u>\$ 2,588,549</u>	<u>\$ 120,736</u>	<u>\$ 2,709,285</u>
Reconciliation of Fund Balances to the Statement of Net Position			
Total governmental fund balances			\$ 2,620,227
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation			2,745,726
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			4,579
Net pension and OPEB liability outflows carried as deferred charges			297,961
Net pension and OPEB liability inflows carried as deferred charges			(142,684)
Long-term liabilities, including notes payable, are not due and payable in current period and therefore are not reported in the funds:			
Accrued absences payable			(38,935)
Notes and leases payable			(95,048)
Net pension and OPEB liability			(1,122,338)
Net position of governmental activities			<u>\$ 4,269,488</u>

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

CITY OF CRESCENT SPRINGS, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2020
--

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	\$ 969,362	\$ -	\$ 969,362
Licenses and permits	1,490,944	-	1,490,944
Intergovernmental	23,335	72,162	95,497
Charges for services	2,927	-	2,927
Fines and forfeitures	-	-	-
Interest income	13,426	605	14,031
Miscellaneous	92,825	-	92,825
Total Revenues	<u>2,592,819</u>	<u>72,767</u>	<u>2,665,586</u>
Expenditures			
General government	497,602	-	497,602
Police	686,388	-	686,388
Public works and recreations	596,669	2,846	599,515
Fire authority	422,164	-	422,164
Capital outlay	127,297	58,706	186,003
Debt service principal	46,952	-	46,952
Debt service interest	3,225	-	3,225
Total Expenditures	<u>2,380,297</u>	<u>61,552</u>	<u>2,441,849</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	212,522	11,215	223,737
Transfers (to) from other fund	-	-	-
Excess of Revenues Over Expenditures After Transfers	212,522	11,215	223,737
Fund Balances, Beginning of Year	<u>2,345,675</u>	<u>50,815</u>	<u>2,396,490</u>
Fund Balances, End of Year	<u>\$ 2,558,197</u>	<u>\$ 62,030</u>	<u>\$ 2,620,227</u>

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

<p>CITY OF CRESCENT SPRINGS, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020</p>

Net change in fund balances-total governmental funds \$ 223,737

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	186,003
Depreciation expense	(285,084)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,243)
--	---------

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	46,952
--	--------

Compensated absense expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(6,534)
--	---------

Net pension liability expenses based on proportionate share of service cost and calculated pension cost from measurement date to measurement date	(116,071)
---	-----------

Net OPEB liability expenses based on proportionate share of service cost and calculated pension cost from measurement date to measurement date	(7,161)
--	---------

Change in net position of governmental activities	<u>\$ 37,599</u>
--	-------------------------

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

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crescent Springs, Kentucky (City) was incorporated in 1957 under the provisions of the Commonwealth of Kentucky. The accounting policies of the City of Crescent Springs, Kentucky conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

The Reporting Entity

The City of Crescent Springs, Kentucky is a municipality governed by an elected Mayor and Board of six Council Members. As required by generally accepted accounting principles these financial statements present the primary government of the City.

Basis of Accounting

City of Crescent Springs's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are generally supported by taxes and City general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; operating grants and contributions which finance annual operating activities including restricted investment income; and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Amounts paid to acquire fixed assets are recorded as capital assets in the government-wide financial statements balance sheet and depreciated, rather than reported as expenditures of the current period. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

Fund Financial Statements

Fund financial statements are provided, as applicable, for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only in the year when payment is due.

Major revenue sources where accrual is most likely to occur include property taxes, insurance premium taxes and franchise/gross receipts license fees.

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.

Funds Types – Governmental Funds

The City reports the following governmental funds:

General Fund

This fund is the government's primary operating fund. This fund accounts for all financial resources of the general government not accounted for in another fund.

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

Special Revenue Fund

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains a special revenue fund for Municipal Aid Road. The Municipal Aid Road Fund is used to account for the receipt and disbursement of funds in accordance with Kentucky Revised Statutes for the Kentucky Municipal Aid Road Fund.

Cash and Cash Equivalents

Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, certificates of deposit, passbooks, bankers' acceptances, commercial paper, bonds of other state or local governments, and mutual funds. Cash and cash equivalents consist of those instruments with maturities of less than three months and certificates of deposit with maturities less than one year. All accounts held are insured under the FDIC insurance program and amounts held in excess of the FDIC coverage are fully covered by pledged collateral.

Inter-fund Receivables/Payables

During the course of operations, it is possible for transactions to occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Balance Sheet – Governmental Funds.

Inventories and Prepaid Items

If applicable, inventories in the governmental funds consist of expendable supplies held for consumption stated on a first in, first out basis. They are reported at cost as expenditures at the time individual inventory items are used.

Prepaid items record payments to vendors that benefit future reporting periods. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements. The City generally carries no inventory. Prepaid items are detailed on the balance sheet and statement of net position.

Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. General capital assets are reported in the governmental activities' column of the government-wide statement of net position. All fixed assets are valued at historical cost or historical estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The City has elected to capitalize assets with a cost of \$5,000 or more. Capital assets are depreciated using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

resulting gain or loss recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10-25 years
Building improvements	10-20 years
Furniture and equipment	3-10 years
Public domain infrastructure	40 years
Vehicles	5 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation. All vacation pay is accrued when incurred in the government-wide financial statements. Governmental funds report only the portion of compensated absences that have matured and have been paid to employees; these are included in employee wage expense in the funds.

Long-Term Debt

In the government-wide financial statements outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Payments of principle and interest are reported as expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of 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.

Other Post-Employment Benefits (OPEB), Health Insurance

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of 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

Deferred Outflows/Inflows of Revenues

In addition to assets, the statement of financial position will sometimes report as a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value if refunded debt and its reacquisition

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

price. This amount is deferred and amortized over the shorter of the life of the refunded or re-funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source-property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Net position is the difference between assets and liabilities. Assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Nonspendable fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses to be non-spendable.

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Aid Road Fund.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. The City has no committed fund balances as of June 30, 2020

Assigned fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Management. These items can only be changed or lifted by City Management taking the same informal action that imposed the restraint. The City has no assigned fund balances as of June 30, 2020

Unassigned fund balances consist of all residual funds not included in non-spendable, restricted, or committed fund balances.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

1. In accordance with City ordinance, prior to May 31, the Mayor submits to the Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain citizen comment.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The Council may authorize supplemental appropriations during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheets as “Cash and Cash Equivalents”. The carrying amount of cash and cash equivalents at June 30, 2020 was \$2,335,764.

The City’s compliance with Kentucky Revised Statutes permits investment of monies in each fund, consistent with the contemplated use of such monies, in investment obligations defined as follows:

- a) Direct obligations of or obligations guaranteed by the United States of America;
- b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than provided in (a) hereof);
- c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$250,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of \$250,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest;

<p>CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020</p>
--

- e) General obligations to the Commonwealth of Kentucky;
- f) A pool or fund made up entirely of U.S. Government obligations or obligations guaranteed both as to principal and interest by the U.S. Government; or
- g) Repurchase agreements for U.S. Government Obligations, secured in the same manner as is provided in (d) above for other deposits.

Effective January 1, 1998, investments are reported at fair value which is determined using the selected basis. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

Investment obligations are deemed to be part of the fund or account for which purchased, and income, interest, gains, and losses on an investment obligation are credited or charged to the fund or account for which such an investment obligation was purchased.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2020.

The categories are described as follows:

Category 1 – Insured and registered, with securities held by the entity or its agent in the entity's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

	Category 1	Category 2	Category 3	Total	Investment Level
Deposits	\$ 2,335,764	\$ -	\$ -	\$ 2,335,764	1
Investments	-	-	-	-	1
Total	<u>\$ 2,335,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,335,764</u>	

Level 1 investments are investments that have readily observable prices, are bought and sold on an open market, and whose prices have a reliable fair market value. The City has no investments at June 30, 2020.

NOTE D – PROPERTY TAXES AND WASTE FEES RECEIVABLE

Property taxes are levied as of October 1 on property values assessed as of January 1. The taxes are billed on approximately October 1 and are due and payable within thirty days. When the bill becomes delinquent, penalties and interest may be assessed by the City. Property tax rates for the year ended June 30, 2020 were \$0.219 per \$100 valuation for real property and \$0.174 per \$100 valuation for personal property. The assessed value of property on which the levy for 2019 was based was \$330,437,400.

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE E – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2020:

Asset type	Balance at June 30, 2019	Additions	Deletions / Reclassifications	Balance at June 30, 2020
Land	\$ 235,922	\$ -	\$ -	\$ 235,922
Construction in progress	57,285	8,147	(65,432)	-
Buildings	1,153,447	-	-	1,153,447
Improvements / infrastructure	5,962,675	183,818	(30,869)	6,115,624
Equipment	374,280	12,670	(33,076)	353,874
Vehicles	511,795	46,800	(2,890)	555,705
Subtotal	8,295,404	251,435	(132,267)	8,414,572
Less: accum. depreciation	(5,450,597)	(285,084)	66,835	(5,668,846)
Capital assets, net	<u>\$ 2,844,807</u>	<u>\$ (33,649)</u>	<u>\$ (65,432)</u>	<u>\$ 2,745,726</u>

Depreciation expense of \$285,084 was not allocated to City program expenses on the Statement of Activities.

NOTE F – LONG TERM DEBT – GOVERNMENTAL ACTIVITIES

The following is a summary of the debt of the City's governmental activities:

Debt type	Balance at June 30, 2019	Additions	Principal Payments	Balance at June 30, 2020	Current Portion
General Fund - Vehicle					
2019 BB&T Note	\$ 142,000	\$ -	\$ (46,952)	\$ 95,048	\$ 46,661
Totals	<u>\$ 142,000</u>	<u>\$ -</u>	<u>\$ (46,952)</u>	<u>\$ 95,048</u>	<u>\$ 46,661</u>

BB&T 2019 Note – 2019 Dump Truck

On November 20, 2018, the City entered into a loan agreement for the purpose of financing a 2019 Freightliner Dump Truck. The total note principal amount was \$142,000. The lease requires a monthly principal and interest payment beginning in July 2019 and maturing in July 2021. The interest rate is 3.70%. These bonds are secured by the dump truck. The remaining debt service is as follows:

Year Ending June 30,	Interest Rate	Principal Amount	Interest & Fees Amount	Total Debt Service
2021	3.70%	\$ 46,661	\$ 3,516	\$ 50,177
2022	3.70%	48,387	1,790	50,177
Totals		<u>\$ 95,048</u>	<u>\$ 5,306</u>	<u>\$ 100,354</u>

<p>CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020</p>
--

NOTE G – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description – City Employees are covered by CERS (County Employees Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City of Crescent Springs has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2019:

	Non-hazardous	Hazardous	Total
Active Plan Members	84,632	9,402	94,034
Inactive Plan Members	85,300	2,702	88,002
Retired Members	58,933	8,000	66,933
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
	Number of participating employers		<u>1,140</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 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 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 87
	Reduced retirement	Not available

<p>CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020</p>
--

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of 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.

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

For non-hazardous duty employees, the City contributed 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$78,651, of which \$63,091 was for the pension fund and \$15,560 was for the health insurance fund.

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 \$905,786 as 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 that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.0123% of the total CERS non-hazardous duty employees. For the year ended June 30, 2020, the City recognized pension expense of \$111,629 in addition to its \$63,091 pension contribution.

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 23,127	\$ (3,827)
Net difference between projected actual earnings on plan investments	-	(14,601)
Changes of assumptions	91,676	-
Changes in proportion and differences between contributions and proportionate share of contributions	27,258	(34,101)
Contributions subsequent to the measurement date	63,091	-
	<u>\$ 205,152</u>	<u>\$ (52,529)</u>

The City's contributions subsequent to the measurement date of \$63,091 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ 68,555
2021	16,453
2022	3,487
2023	1,037
2024	-
Thereafter	-
	<u>\$ 89,532</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00%
Salary increases	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

The mortality table used for active members is 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

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

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.

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

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 contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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:

CITY OF CRESCENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,133,027	\$ 905,902	\$ 716,596
Total	\$ 1,133,027	\$ 905,902	\$ 716,596

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees; actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$15,560 for non-hazardous duty employees for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$216,552 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2019, the City's proportion of the non-hazardous plan was 0.0123%.

For the year ended June 30, 2020, the City recognized an OPEB expense of \$7,162 in addition to its \$15,560 contribution. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (65,339)
Net difference between projected actual earnings on plan investments	-	(9,619)
Changes of assumptions	64,080	(428)
Changes in proportion and differences between contributions and proportionate share of contributions	13,170	(14,768)
Contributions subsequent to the measurement date	15,560	-
	<u>\$ 92,810</u>	<u>\$ (90,154)</u>

The City's contributions subsequent to the measurement date, \$15,560 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

<p>CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020</p>
--

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ (1,393)
2021	(1,393)
2022	1,665
2023	(4,194)
2024	(6,100)
Thereafter	(1,489)
	<u>\$ (12,904)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30-3.55%, minimum, including inflation
Investment rate of return inflation, Healthcare trend rates (Pre-65):	6.25%, net of pension plan expense, including Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality: Pre-retirement	PUB-2010 General Mortality table for 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
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

CITY OF CRESCENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

In 2019 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.85% to 5.68%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.68% for the non-hazardous plan, as well as what the proportionate share of

<p>CITY OF CRESCENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020</p>
--

the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.68%	5.68%	6.68%
Net OPEB liability, non-hazardous	\$ 290,128	\$ 216,552	\$ 155,981

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 161,071	\$ 216,552	\$ 283,890

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE H – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

NOTE I – CONTINGENT LIABILITIES

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

The City is not a defendant in any known litigation.

CITY OF CRESCENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J – TAX ABATEMENTS

In accordance with GASB 77, the must disclose tax abatements and incentives provided within the City. The City has one Tax Increment Financing (TIF) District on which tax abatements are provided to the developer to fund the cost to develop infrastructure in the District.

Local Development Area No. 1 TIF District – On October 28, 2019, the City agreed to participate in the Local Development Area No. 1 TIF district in the City of Crescent Springs and required the City to collect and remit 65% of the City's incremental revenues from real property taxes collected in the district footprint for the city in a given year. This incentive allowed the City to finance the infrastructure expenses associated with the project. The incentive is in place for 30 years. At June 30, 2020, \$0 has been withheld and remitted from this project.

NOTE K – COVID-19 GLOBAL PANDEMIC

The primary effects on the City from the COVID-19 Global Pandemic has been a reduction in payroll and occupational license tax revenue received and an increase in unbudgeted expenses for personal protective equipment. City management is unsure of a timeline for when, or if, these revenues and expenses will return to pre-pandemic levels. The 2020-21 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

NOTE L – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$291,652 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City will recognize these funds in fiscal year 2021.

NOTE M – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – FY 2020

Statement No. 88 – *Certain Disclosures Related to Debt* – FY 2020

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance* – FY 2020

NOTE N – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – FY 2021

Statement No. 87 – *Leases* – FY 2022

Statement No. 89 – *Accounting for Interest Cost in Construction Projects* – FY 2021

Statement No. 90 – *Majority Equity Interests* – FY 2021

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

Statement No. 92 – *Omnibus 2020* – FY 2022

CITY OF CRESCENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE O – SUBSEQUENT EVENTS

Management has evaluated events through January 20, 2021, the date on which the financial statements were available for issue. The City had one event subsequent to June 30, 2020 through January 20, 2021 to disclose.

The City has entered a joint venture with the City of Villa Hills to finance the building of a firehouse for the Crescent-Villa Fire Authority. The process of funding this construction involves issuing \$6M in bond debt, of which the City of Crescent Springs will be responsible for \$2.4M. These bonds are expected to be issued in May 2021.

CITY OF CRESCENT SPRINGS, KENTUCKY BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND For the Year Ended June 30, 2020
--

	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ 2,345,675	\$ 2,345,675
Resources (inflows)					
Taxes	944,000	29,138	973,138	969,362	(3,776)
Licenses and permits	1,495,200	17,797	1,512,997	1,490,944	(22,053)
Intergovernmental	16,060	26,819	42,879	23,335	(19,544)
Fines and forfeitures	200	(100)	100	-	(100)
Charges for services	13,690	(10,584)	3,106	2,927	(179)
Interest	10,800	2,500	13,300	13,426	126
Other	35,166	71,168	106,334	92,825	(13,509)
Amounts available for appropriation	2,515,116	136,738	2,651,854	4,938,494	2,286,640
Charges to appropriations (outflows)					
Administrative	533,100	18,653	551,753	557,282	(5,529)
Police	686,389	(1)	686,388	686,388	-
Public works and recreation	845,151	(119,055)	726,096	664,286	61,810
Fire Authority	421,470	(4,406)	417,064	422,164	(5,100)
Debt Service	50,879	(702)	50,177	50,177	-
Capital expenditures	-	-	-	-	-
Total charges to appropriations	2,536,989	(105,511)	2,431,478	2,380,297	51,181
Transfers From (To) Other Fund	-	-	-	-	-
Budgetary fund balance, June 30	\$ (21,873)	\$ 242,249	\$ 220,376	\$ 2,558,197	\$ 2,235,459

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
MUNICIPAL AID ROAD FUND
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ 50,815	\$ 50,815
Resources (inflows)					
Other income	270	-	270	605	335
Intergovernmental	76,215	-	76,215	72,162	(4,053)
Amounts available for appropriation	76,485	-	76,485	123,582	47,097
Charges to appropriations (outflows)					
Street maintenance and material	10,000	-	10,000	2,846	7,154
Construction	65,000	-	65,000	58,706	6,294
Total charges to appropriations	75,000	-	75,000	61,552	13,448
Transfers From (To) Other Fund	-	-	-	-	-
Budgetary fund balance, June 30	\$ 1,485	\$ -	\$ 1,485	\$ 62,030	\$ 60,545

CITY OF CRESCENT SPRINGS, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE-NON-HAZARDOUS**

Last Ten Fiscal Years

**Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.0129%	0.0138%	0.0126%	0.0122%	0.0119%	0.0113%				
Proportionate share of the net pension liability (asset)	\$ 905,786	\$ 840,523	\$ 736,405	\$ 601,541	\$ 512,524	\$ 366,000				
Covered payroll in year of measurement	\$ 361,375	\$ 383,075	\$ 337,172	\$ 321,384	\$ 272,616	\$ 259,013				
Share of the net pension liability (asset) as a percentage of its covered payroll	250.65%	219.41%	218.41%	187.17%	188.00%	141.31%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.35%	53.30%	55.50%	59.97%	66.80%				

**Schedule of the City's Contributions
County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 63,091	\$ 58,613	\$ 55,465	\$ 62,984	\$ 54,828	\$ 48,171	\$ 48,927			
Actual contribution	63,091	58,613	55,465	62,984	54,828	48,171	48,927			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Covered payroll	\$ 326,896	\$ 361,375	\$ 383,075	\$ 337,172	\$ 321,384	\$ 272,616	\$ 259,013			
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.84%	12.43%	12.75%	13.75%			

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

The net pension liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

CITY OF CRESCENT SPRINGS, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE-NON-HAZARDOUS
Last Ten Fiscal Years

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.0129%	0.0138%	0.0126%							
Proportionate share of the net OPEB liability (asset)	\$ 216,552	\$ 245,034	\$ 252,921							
Covered payroll in year of measurement	\$ 361,375	\$ 383,075	\$ 337,172							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	59.92%	63.97%	75.01%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

Schedule of the City's Contributions
County Employees' Retirement System (CERS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 15,560	\$ 13,123	\$ 10,947	\$ 12,315						
Actual contribution	15,560	13,123	10,947	12,315						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered payroll	\$ 326,896	\$ 361,375	\$ 383,075	\$ 337,172						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	5.21%						

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

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

**To the Honorable Mayor and
Members of Council
City of Crescent Springs, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Crescent Springs, Kentucky as of June 30, 2020 and the related notes to the financial statements which collectively comprise the City of Crescent Springs, Kentucky's financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Crescent Springs, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Crescent Springs, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Crescent Springs, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crescent Springs, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.

Erlanger, Kentucky

January 20, 2021