

CITY OF DANVILLE
Danville, Kentucky

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Danville, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Danville, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Danville, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Danville, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Danville, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefit schedules on pages 4-9 and 53-68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danville, Kentucky's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023, on our consideration of the City of Danville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Danville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Danville, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 6, 2023

City of Danville, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2022

The management team for the City of Danville presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2022. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

Financial Highlights

- As of June 30, 2022, the City's assets (page 10) exceeded liabilities by \$23,043,001 in Governmental activities. The Net Position is more than the past fiscal year due to capital projects in progress and recently completed. Scheduled debt amortization that is presented on Government-Wide Financial Statements has begun for finished projects along with decreased pension liability with new OPEB liability calculations. The Net Pension Liability for June 30, 2022 is \$21,355,170 which is lower than last fiscal year due to the change in the State of Kentucky's overall figures. Allocations for the OPEB liability is \$6,451,991.
- Unrestricted cash and investment balances for Governmental activities (page 10) as of June 30, were \$29,925,067 and current liabilities payable from unrestricted resources (i.e. excluding principal and interest on long term debt and capital leases) were \$4,632,804.
- The net position for all funds increased by \$2,757,392 (page 11). This increase, \$4,379,292, is attributed to the net position increase from governmental activities and \$1,621,900 decrease in business-type activities.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$2,039,698 to a total of \$31,135,677 (page 12). The primary reasons for the decrease in fund balances in the governmental funds are due to an increase in accounts payable and unearned revenue. Of the total fund balances in the governmental funds, \$26,056,613 (page 12) is unrestricted and available for future programs and it is used to meet the reserve requirements per city ordinance.
- The City has debt and pension liabilities of \$40,941,968 in Governmental Funds and \$58,216,450 in Business-type Funds at June 30, 2022 (pages 48 through 50). The City did issue new debt during the fiscal year ended June 30, 2022. The City issued KIA loan F19-042 in fiscal year ended June 30, 2021. During the current fiscal year, the construction loan increased in the amount of \$2,176,040 in Business-type funds. In fiscal year 2018, the city started a leasing program for passenger vehicles with is stated capital leases on the financial statements. Total lease liability for the program is \$1,256,106, with \$826,104 in the Governmental Funds and \$430,002 in the Business-type Funds.

Overview of Financial Statements

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

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

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

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

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

The government-wide statements are found on pages 10 and 11 of this report.

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

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

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 12 and 13 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

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

The larger funds are presented on pages 12 and 13 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 71 and 72. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with Kentucky Revised Statutes Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information beginning on page 53.

Proprietary funds - The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The utilities, parking, and storm water fund are presented as major funds on pages 14 through 16. The other funds are presented in combining statements for the non-major funds on pages 73 and 74.

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

Notes to the financial statements - Notes provide additional information that are essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City's financial statements and are presented on pages 19 through 52.

Other information - This section of the report includes two types of supplementary information. *Required Supplementary Information* (pages 53 through 68) must be included to conform to generally accepted accounting principles. Management's Discussion and Analysis is classified as *Required Supplementary Information*. In addition, the Schedule of Net Pension and OPEB Liability and Related Ratios, the Schedule of Contributions, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the City's police & fire pension fund.

Other reports - The last section of this report includes the Independent Auditor's Report on Internal Control (pages 75 through 76). The Schedule of Expenditures of Federal Awards (page 77) and the Independent Auditors Report on Compliance required by the Uniform Guidance with required schedule (pages 78 through 80).

Government-Wide Financial Analysis

The first statement in the government-wide statements is the Statement of Net Position. Let’s review some of the more important issues in this statement. The following table summarizes the Statement of Net Position (page 10).

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

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$40,211	\$41,215	\$18,321	\$17,482	\$58,532	\$58,697
Capital assets	26,436	32,064	70,398	78,664	96,834	110,728
Total assets and deferred outflows	66,647	73,279	88,719	96,146	155,366	169,425
Long-term debt outstanding	18,801	18,214	51,132	51,655	69,933	69,869
Other liabilities	29,571	32,022	7,651	15,776	37,223	47,798
Total liabilities and deferred inflows	48,372	50,236	58,783	67,431	107,156	117,667
Net position:						
Net investment in capital assets	7,365	13,851	19,265	27,009	26,900	40,860
Restricted	3,034	4,817	4,017	3,593	7,051	8,410
Unrestricted (deficit)	7,606	4,375	6,654	(1,887)	14,260	2,488
Total Net Position	\$ 18,275	\$ 23,043	\$ 29,936	\$ 28,715	\$ 48,211	\$ 51,758

The City’s net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Compared to prior year, this has increased 34% due to capital projects within both the Governmental Activities and Business-Type activities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$8.4 million of the City’s net position (page 10) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures including the remaining financing for on-going projects.

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

\$19.8 million of the governmental services are financed with property taxes and license fees. Governmental activities increased the City's net position by \$1.8 million. The primary reason for the increase is due to City collections of license fees and permits.

Business-type activities decreased the City's net position by \$1,622 thousand. This decrease is net of depreciation expense of \$2.1 million (a non-cash item).

Financial Analysis of the Government's Funds

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

Governmental funds - Financial information for the City's governmental funds is summarized on pages 12 and 13. Governmental fund balances decreased \$2.0 million. The primary reason for the decrease is the increase in spending on capital outlay.

Non-major funds include Police Safety, Drug Forfeiture, Hazard Mitigation, Streetscape, Toy Program, Cemetery Trusts, Park Trust, and Parks and Recreation funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 71 and 72.

Proprietary funds - The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements (page 14). Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Governmental Funds Budgetary Highlights

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

Capital Asset and Debt Administration

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

Capital Assets

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

City of Danville, Kentucky Capital Assets (net of depreciation)

	Governmental Activities	Business- Type Activities	Total
Land	\$ 4,734,592	\$ 1,557,350	\$ 6,291,942
Buildings	7,925,292	30,313,802	38,239,094
Improvements other than buildings	1,304,649	211,004	1,515,653
Vehicles	415,585	227	415,812
Equipment	2,355,934	122,322	2,478,256
Leased Assets	816,821	437,376	1,254,197
Infrastructure	6,634,621	31,306,031	37,940,652
Construction in progress	7,876,549	14,715,586	22,592,135
Total	32,064,043	78,663,698	110,727,741

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

Construction of the Central Fire Station along with several utility projects in process.

Long-Term Debt

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

City of Danville’s Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
KLC Funding Trust	\$ 3,318,229	\$ -	\$ 3,318,229
Series 2012 GO Bonds	3,115,000	-	3,115,000
Series 2014 GO Bonds (A&C)	-	3,050,000	3,050,000
Series 2017 GO Bonds (A&B)	982,762	9,242,239	10,225,001
Series 2018 GO Bonds	9,330,000	-	9,330,000
Series 2015 Bonds (A&B)	-	12,552,500	12,552,500
Series 2020 Bonds (A&B)	205,500	12,146,900	12,352,400
Series 2010 Build America Bond	-	506,000	506,000
KIA Loan – Water Treatment Plant	-	9,706,918	9,706,918
KIA Loan - Water Tower	-	2,852,425	2,852,425
Total	<u>\$ 16,951,491</u>	<u>\$ 50,056,982</u>	<u>\$ 67,008,473</u>

The City’s long-term debt decreased by \$2,986,996 during the fiscal year.

Economic Factors and Next Year’s Budget

The City continued into fiscal year 2023 on several of the projects commenced in fiscal year 2022, including the Central Fire Station and several utility projects.

City management continues to monitor the impact of inflation and supply chain disruptions on the financials of the city.

Contacting the City’s Financial Management

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 28,724,990	\$ 8,261,176	\$ 36,986,166
Investments	1,200,077	113,848	1,313,925
Receivables, net	1,029,103	731,609	1,760,712
Current portion of lease receivable	-	107,255	107,255
Inventory	-	220,806	220,806
Prepaid expenses and other current assets	3,129	-	3,129
Internal balances (net)	(6,178)	6,178	-
Total current assets	<u>30,951,121</u>	<u>9,440,872</u>	<u>40,391,993</u>
Non-current assets			
Restricted cash and cash equivalents	4,817,360	3,101,733	7,919,093
Restricted investments	-	492,218	492,218
Lease receivable, net of current portion	-	2,172,258	2,172,258
Capital assets			
Nondepreciable capital assets	12,611,141	16,272,936	28,884,077
Depreciable capital assets, net	18,636,080	61,953,386	80,589,466
Leased assets, net	816,822	437,376	1,254,198
Total non-current assets	<u>36,881,403</u>	<u>84,429,907</u>	<u>121,311,310</u>
Total assets	<u>67,832,524</u>	<u>93,870,779</u>	<u>161,703,303</u>
DEFERRED OUTFLOWS OF RESOURCES			
Defeasance on refunding	-	32,126	32,126
Deferred outflows - police and firefighters' retirement	122,979	-	122,979
Deferred outflows - pension	2,691,805	1,155,767	3,847,572
Deferred outflows - OPEB	2,631,524	1,087,331	3,718,855
Total deferred outflows of resources	<u>5,446,308</u>	<u>2,275,224</u>	<u>7,721,532</u>
Total assets and deferred outflows of resources	<u>\$ 73,278,832</u>	<u>\$ 96,146,003</u>	<u>\$ 169,424,835</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,128,924	\$ 2,777,792	\$ 4,906,716
Accrued payroll and benefits	304,670	133,983	438,653
Deposits	11,321	11,700	23,021
Accrued interest payable	-	327,462	327,462
Unearned revenue	2,171,242	2,247,127	4,418,369
Current portion of compensated absences	16,647	7,904	24,551
Current portion of lease liability	304,598	133,099	437,697
Current portion of bonds and notes payable	762,967	1,638,737	2,401,704
Total current liabilities	<u>5,700,369</u>	<u>7,277,804</u>	<u>12,978,173</u>
Non-current liabilities			
Compensated absences, net of current portion	316,283	150,186	466,469
Lease liability, net of current portion	521,506	296,903	818,409
Bonds and notes payable, net of current portion	16,624,012	49,586,012	66,210,024
Net pension liability - police and firefighters' retirement	992,403	-	992,403
Net pension liability - CERS	16,430,074	4,925,096	21,355,170
Net OPEB liability - CERS	4,973,478	1,478,513	6,451,991
Total non-current liabilities	<u>39,857,756</u>	<u>56,436,710</u>	<u>96,294,466</u>
Total liabilities	<u>45,558,125</u>	<u>63,714,514</u>	<u>109,272,639</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - police and firefighters' retirement	73,536	-	73,536
Deferred inflows - lease receivable	-	2,262,162	2,262,162
Deferred inflows - pension	2,419,377	704,234	3,123,611
Deferred inflows - OPEB	2,184,793	749,259	2,934,052
Total deferred inflows of resources	<u>4,677,706</u>	<u>3,715,655</u>	<u>8,393,361</u>
NET POSITION			
Net investment in capital assets	13,850,960	27,008,947	40,859,907
Restricted	4,817,360	3,593,951	8,411,311
Unrestricted	4,374,681	(1,887,064)	2,487,617
Total net position	<u>23,043,001</u>	<u>28,715,834</u>	<u>51,758,835</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 73,278,832</u>	<u>\$ 96,146,003</u>	<u>\$ 169,424,835</u>

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

**CITY OF DANVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 3,698,826	\$ -	\$ 46,150	\$ -	\$ (3,652,676)	\$ -	\$ (3,652,676)
Public services	3,705,142	306,797	2,725	358,162	(3,037,458)	-	(3,037,458)
Public safety	9,032,516	-	349,655	-	(8,682,861)	-	(8,682,861)
Community services	779,484	-	-	-	(779,484)	-	(779,484)
Interest on long-term debt	636,061	-	-	-	(636,061)	-	(636,061)
Total governmental activities	17,852,029	306,797	398,530	358,162	(16,788,540)	-	(16,788,540)
Business-type activities							
Utilities	12,247,696	10,510,095	-	-	-	(1,737,601)	(1,737,601)
Parking	446,986	239,175	-	-	-	(207,811)	(207,811)
Garbage	1,202,618	1,210,704	-	-	-	8,086	8,086
Cemetery	340,766	122,852	-	-	-	(217,914)	(217,914)
Museum	46,458	-	-	-	-	(46,458)	(46,458)
Storm water	539,933	591,585	-	-	-	51,652	51,652
Total business-type activities	14,824,457	12,674,411	-	-	-	(2,150,046)	(2,150,046)
Total primary government	\$ 32,676,486	\$ 12,981,208	\$ 398,530	\$ 358,162	(16,788,540)	(2,150,046)	(18,938,586)
General revenues							
Taxes					2,106,948	-	2,106,948
Licenses and fees					17,778,897	-	17,778,897
Fines and forfeitures					16,220	-	16,220
Management fees					618,891	-	618,891
Interest income					80,117	98,507	178,624
Other					933,522	27,448	960,970
Total general revenues					21,534,595	125,955	21,660,550
Gain (loss) on sale or disposal of capital assets					(46,629)	82,057	35,428
Transfers in (out)					(320,134)	320,134	-
Total general revenues and transfers					21,167,832	528,146	21,695,978
Change in net position					4,379,292	(1,621,900)	2,757,392
Net position, beginning of year, as restated					18,663,709	30,337,734	49,001,443
NET POSITION, END OF YEAR					\$ 23,043,001	\$ 28,715,834	\$ 51,758,835

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

CITY OF DANVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Municipal Road Aid Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 31,797,755	\$ 923,922	\$ 820,673	\$ 33,542,350
Investments	1,193,641	-	6,436	1,200,077
Receivables, net	993,720	33,480	1,903	1,029,103
Prepaid expenses and other assets	<u>3,129</u>	<u>-</u>	<u>-</u>	<u>3,129</u>
 Total assets	 <u>\$ 33,988,245</u>	 <u>\$ 957,402</u>	 <u>\$ 829,012</u>	 <u>\$ 35,774,659</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 1,623,348	\$ 10,050	\$ 495,526	\$ 2,128,924
Accrued payroll and benefits	262,014	-	42,656	304,670
Unearned revenue	2,171,242	-	-	2,171,242
Deposits	11,321	-	-	11,321
Compensated absences	16,050	-	597	16,647
Internal balances	<u>6,178</u>	<u>-</u>	<u>-</u>	<u>6,178</u>
 Total liabilities	 <u>4,090,153</u>	 <u>10,050</u>	 <u>538,779</u>	 <u>4,638,982</u>
Fund balance				
Nonspendable	3,129	-	-	3,129
Restricted	3,838,350	947,352	31,658	4,817,360
Assigned	-	-	258,575	258,575
Unrestricted	<u>26,056,613</u>	<u>-</u>	<u>-</u>	<u>26,056,613</u>
 Total fund balance	 <u>29,898,092</u>	 <u>947,352</u>	 <u>290,233</u>	 <u>31,135,677</u>
 Total liabilities and fund balance	 <u>\$ 33,988,245</u>	 <u>\$ 957,402</u>	 <u>\$ 829,012</u>	 <u>\$ 35,774,659</u>
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balance reported above				\$ 31,135,677
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.				32,064,043
Long-term liabilities, including bonds, leases and notes payable, net pension/OPEB liability, and accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds.				(40,925,321)
Net deferred inflows/outflows related to the long-term pension/OPEB liability are not reported in the funds.				<u>768,602</u>
 Net position of governmental activities				 <u>\$ 23,043,001</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2022

	General Fund	Municipal Road Aid Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,106,948	\$ -	\$ -	\$ 2,106,948
Licenses and fees	17,778,897	-	-	17,778,897
Intergovernmental revenue	393,551	358,162	4,979	756,692
Fines and forfeitures	14,435	-	1,785	16,220
Other revenues	<u>1,551,892</u>	<u>7,228</u>	<u>380,206</u>	<u>1,939,326</u>
Total revenues	<u>21,845,723</u>	<u>365,390</u>	<u>386,970</u>	<u>22,598,083</u>
EXPENDITURES				
Current operating				
General government	2,899,916	-	-	2,899,916
Public services	2,034,354	138,600	1,168,969	3,341,923
Public safety	9,209,717	-	5,714	9,215,431
Community services	762,252	-	17,232	779,484
Debt service	1,673,431	-	3,012	1,676,443
Capital outlay	<u>5,942,336</u>	<u>14,319</u>	<u>1,130,039</u>	<u>7,086,694</u>
Total expenditures	<u>22,522,006</u>	<u>152,919</u>	<u>2,324,966</u>	<u>24,999,891</u>
Excess (deficiency) of revenues over expenditures	(676,283)	212,471	(1,937,996)	(2,401,808)
Other financing sources (uses):				
Transfers (to) from other funds	(2,029,264)	(25,000)	1,734,130	(320,134)
Proceeds from issuance of debt	<u>622,663</u>	<u>-</u>	<u>59,581</u>	<u>682,244</u>
Total other financing sources (uses)	<u>(1,406,601)</u>	<u>(25,000)</u>	<u>1,793,711</u>	<u>362,110</u>
Net change in fund balance	(2,082,884)	187,471	(144,285)	(2,039,698)
Fund balance, beginning of year	<u>31,980,976</u>	<u>759,881</u>	<u>434,518</u>	<u>33,175,375</u>
FUND BALANCE, END OF YEAR	<u>\$ 29,898,092</u>	<u>\$ 947,352</u>	<u>\$ 290,233</u>	<u>\$ 31,135,677</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances				\$ (2,039,698)
add: capital outlay				7,086,694
add: debt service				1,676,443
less: loss on sale or disposal of capital assets				(46,629)
less: proceeds from issuance of debt				(682,244)
less: depreciation on governmental activities assets				(1,262,310)
less: amortization on governmental activities assets				(309,109)
less: interest on long-term debt				(636,061)
change in net pension liability - CERS				418,317
change in net OPEB liability - CERS				121,546
change in net pension liability - police & firefighters' retirement				86,243
change in long-term compensated absences				<u>(33,900)</u>
Change in net position of governmental activities				<u>\$ 4,379,292</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
ASSETS					
Current assets					
Cash and cash equivalents	\$ 6,192,514	\$ 108,377	\$ 1,291,697	\$ 668,588	\$ 8,261,176
Investments	-	-	-	113,848	113,848
Accounts receivable, net	590,493	31,827	28,543	80,746	731,609
Current portion of lease receivable	-	107,255	-	-	107,255
Inventory, at cost	220,806	-	-	-	220,806
Internal balances	6,178	-	-	-	6,178
Total current assets	<u>7,009,991</u>	<u>247,459</u>	<u>1,320,240</u>	<u>863,182</u>	<u>9,440,872</u>
Non-current assets					
Restricted cash and cash equivalents	3,101,733	-	-	-	3,101,733
Restricted investments	492,218	-	-	-	492,218
Lease receivable, net of current portion	-	2,172,258	-	-	2,172,258
Capital assets					
Nondepreciable capital assets	15,173,732	877,681	91,012	130,511	16,272,936
Depreciable capital assets	91,090,591	8,114,919	2,373,682	713,055	102,292,247
Leased assets	529,961	-	61,547	39,349	630,857
Less accumulated depreciation and amortization	<u>(36,760,881)</u>	<u>(2,755,035)</u>	<u>(583,693)</u>	<u>(432,733)</u>	<u>(40,532,342)</u>
Total non-current assets	<u>73,627,354</u>	<u>8,409,823</u>	<u>1,942,548</u>	<u>450,182</u>	<u>84,429,907</u>
Total assets	<u>80,637,345</u>	<u>8,657,282</u>	<u>3,262,788</u>	<u>1,313,364</u>	<u>93,870,779</u>
DEFERRED OUTFLOWS OF RESOURCES					
Defeasance on refunding	-	32,126	-	-	32,126
Deferred outflows - pension	1,032,743	14,447	77,854	30,723	1,155,767
Deferred outflows - OPEB	971,592	13,591	73,244	28,904	1,087,331
Total deferred outflows of resources	<u>2,004,335</u>	<u>60,164</u>	<u>151,098</u>	<u>59,627</u>	<u>2,275,224</u>
Total assets and deferred outflows of resources	<u>\$ 82,641,680</u>	<u>\$ 8,717,446</u>	<u>\$ 3,413,886</u>	<u>\$ 1,372,991</u>	<u>\$ 96,146,003</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 2,643,338	\$ 5,405	\$ 18,648	\$ 110,401	\$ 2,777,792
Accrued payroll and benefits	121,991	1,354	8,242	2,396	133,983
Deposits	11,700	-	-	-	11,700
Accrued interest payable	313,947	9,739	2,969	807	327,462
Unearned revenue	2,247,127	-	-	-	2,247,127
Current portion of compensated absences	7,202	30	567	105	7,904
Current portion of lease liability	106,358	-	14,369	12,372	133,099
Current portion of bonds and notes payable	1,414,769	179,630	42,700	1,638	1,638,737
Total current liabilities	<u>6,866,432</u>	<u>196,158</u>	<u>87,495</u>	<u>127,719</u>	<u>7,277,804</u>
Non-current liabilities					
Compensated absences, net of current portion	136,833	579	10,784	1,990	150,186
Lease liability, net of current portion	256,544	-	25,029	15,330	296,903
Bonds and notes payable, net of current portion	46,067,878	3,164,626	319,200	34,308	49,586,012
Net pension liability - CERS	4,400,851	61,561	331,762	130,922	4,925,096
Net OPEB liability - CERS	1,321,134	18,481	99,595	39,303	1,478,513
Total non-current liabilities	<u>52,183,240</u>	<u>3,245,247</u>	<u>786,370</u>	<u>221,853</u>	<u>56,436,710</u>
Total liabilities	<u>59,049,672</u>	<u>3,441,405</u>	<u>873,865</u>	<u>349,572</u>	<u>63,714,514</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - lease receivable	-	2,262,162	-	-	2,262,162
Deferred inflows - pension	629,273	8,803	47,438	18,720	704,234
Deferred inflows - OPEB	669,506	9,365	50,471	19,917	749,259
Total deferred inflows of resources	<u>1,298,779</u>	<u>2,280,330</u>	<u>97,909</u>	<u>38,637</u>	<u>3,715,655</u>
NET POSITION					
Net investment in capital assets	22,187,854	2,893,309	1,541,250	386,534	27,008,947
Restricted	3,593,951	-	-	-	3,593,951
Unrestricted	<u>(3,488,576)</u>	<u>102,402</u>	<u>900,862</u>	<u>598,248</u>	<u>(1,887,064)</u>
Total net position	<u>22,293,229</u>	<u>2,995,711</u>	<u>2,442,112</u>	<u>984,782</u>	<u>28,715,834</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 82,641,680</u>	<u>\$ 8,717,446</u>	<u>\$ 3,413,886</u>	<u>\$ 1,372,991</u>	<u>\$ 96,146,003</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2022

	<u>Utilities Fund</u>	<u>Parking Fund</u>	<u>Storm Water Fund</u>	<u>Other Nonmajor Proprietary Funds</u>	<u>Totals</u>
Operating revenues					
Water sales	\$ 5,022,128	\$ -	\$ -	\$ -	\$ 5,022,128
Water surcharge	91,954	-	-	-	91,954
Sewer charges	4,981,069	-	-	-	4,981,069
Connection fees	70,750	-	-	-	70,750
Parking rental fees	-	239,175	-	-	239,175
Other fees for services	-	-	591,585	1,333,556	1,925,141
Other revenues	344,194	-	-	-	344,194
Total operating revenues	<u>10,510,095</u>	<u>239,175</u>	<u>591,585</u>	<u>1,333,556</u>	<u>12,674,411</u>
Operating expenses					
Water	6,080,398	-	-	-	6,080,398
Sewer	874,844	-	-	-	874,844
Perryville	238,936	-	-	-	238,936
Personnel	-	47,499	285,107	206,271	538,877
Contractual	-	64,094	59,298	1,332,124	1,455,516
Management fees	546,028	-	72,864	-	618,892
Depreciation	1,772,843	209,543	56,159	25,000	2,063,545
Amortization	236,380	-	27,050	12,107	275,537
Other operating expenses	1,285,093	28,570	30,251	10,592	1,354,506
Total operating expenses	<u>11,034,522</u>	<u>349,706</u>	<u>530,729</u>	<u>1,586,094</u>	<u>13,501,051</u>
Operating income (loss)	<u>(524,427)</u>	<u>(110,531)</u>	<u>60,856</u>	<u>(252,538)</u>	<u>(826,640)</u>
Non-operating revenues (expenses)					
Interest income	27,695	70,812	-	-	98,507
Interest expense	(1,213,174)	(97,280)	(9,204)	(3,748)	(1,323,406)
Gain (loss) on disposal of capital assets	77,294	-	4,763	-	82,057
Other non-operating revenues (expenses)	22,224	-	10,252	(5,028)	27,448
Total non-operating revenues (expenses)	<u>(1,085,961)</u>	<u>(26,468)</u>	<u>5,811</u>	<u>(8,776)</u>	<u>(1,115,394)</u>
Income (loss) before transfers	<u>(1,610,388)</u>	<u>(136,999)</u>	<u>66,667</u>	<u>(261,314)</u>	<u>(1,942,034)</u>
Transfers from other funds	-	127,822	-	192,312	320,134
Change in net position	<u>(1,610,388)</u>	<u>(9,177)</u>	<u>66,667</u>	<u>(69,002)</u>	<u>(1,621,900)</u>
Net position, beginning of year, as restated	<u>23,903,617</u>	<u>3,004,888</u>	<u>2,375,445</u>	<u>1,053,784</u>	<u>30,337,734</u>
NET POSITION, END OF YEAR	<u>\$ 22,293,229</u>	<u>\$ 2,995,711</u>	<u>\$ 2,442,112</u>	<u>\$ 984,782</u>	<u>\$ 28,715,834</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2022

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
Cash flows from operating activities					
Receipts from customers	\$ 10,707,938	\$ 243,299	\$ 622,114	\$ 1,340,031	\$ 12,913,382
Payments to suppliers	(4,041,299)	(106,087)	(93,033)	(1,348,948)	(5,589,367)
Payments to employees	(3,796,693)	(50,525)	(298,158)	(118,736)	(4,264,112)
Payments to general fund for management services	(546,028)	-	(72,864)	-	(618,892)
Net cash provided by (used in) operating activities	<u>2,323,918</u>	<u>86,687</u>	<u>158,059</u>	<u>(127,653)</u>	<u>2,441,011</u>
Cash flows from noncapital financing activities					
Receipts (payments) on interfund loans	20,807	-	(41,975)	588	(20,580)
Transfers from other funds	-	127,822	-	192,312	320,134
Other revenues	22,224	-	-	-	22,224
Net cash provided by (used in) noncapital financing activities	<u>43,031</u>	<u>127,822</u>	<u>(41,975)</u>	<u>192,900</u>	<u>321,778</u>
Cash flows from capital and related financing activities					
Purchase of capital assets	(7,583,037)	-	(28,215)	(25,718)	(7,636,970)
Principal paid on bonds, leases and notes	(1,535,823)	(174,630)	(64,149)	(13,284)	(1,787,886)
Interest paid on bonds, leases and notes	(1,274,572)	(99,629)	(9,550)	(6,067)	(1,389,818)
Proceeds from bond issuance	2,176,040	-	-	-	2,176,040
Capital grant proceeds	2,247,127	-	-	-	2,247,127
Net cash used in capital and related financing activities	<u>(5,970,265)</u>	<u>(274,259)</u>	<u>(101,914)</u>	<u>(45,069)</u>	<u>(6,391,507)</u>
Cash flows from investing activities					
Net investment proceeds (purchases)	(1,525)	-	-	9,949	8,424
Interest and dividends	27,695	70,812	10,252	(5,028)	103,731
Net cash provided by investing activities	<u>26,170</u>	<u>70,812</u>	<u>10,252</u>	<u>4,921</u>	<u>112,155</u>
Net increase (decrease) in cash and cash equivalents	(3,577,146)	11,062	24,422	25,099	(3,516,563)
Cash and cash equivalents, beginning of year	<u>12,871,393</u>	<u>97,315</u>	<u>1,267,275</u>	<u>643,489</u>	<u>14,879,472</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 9,294,247	\$ 108,377	\$ 1,291,697	\$ 668,588	\$ 11,362,909
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (524,427)	\$ (110,531)	\$ 60,856	\$ (252,538)	\$ (826,640)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2,009,223	209,543	83,209	37,107	2,339,082
Net pension adjustments	913,379	(2,522)	(7,802)	69,160	972,215
Net OPEB adjustments	218,450	(916)	(3,432)	17,399	231,501
Change in assets and liabilities:					
Accounts receivable, net	206,943	21,475	30,529	6,475	265,422
Lease receivable, net	-	(17,351)	-	-	(17,351)
Inventory	12,110	-	-	-	12,110
Accounts payable	(544,645)	(13,423)	(3,484)	(6,232)	(567,784)
Accrued expenses	18,728	117	1,897	(220)	20,522
Customer deposits	(9,100)	-	-	-	(9,100)
Compensated absences	23,257	295	(3,714)	1,196	21,034
Net cash provided by (used in) operating activities	<u>\$ 2,323,918</u>	<u>\$ 86,687</u>	<u>\$ 158,059</u>	<u>\$ (127,653)</u>	<u>\$ 2,441,011</u>
Supplemental disclosure of cash flow information:					
Noncash capital and related financing activities:					
Leased vehicle additions, net	\$ 399,710	\$ -	\$ 29,136	\$ -	\$ 428,846
Payables for capital items, net	(2,269,201)	-	(15,025)	(7,250)	(2,291,476)
Net non-cash capital and related financing activities	<u>\$ (1,869,491)</u>	<u>\$ -</u>	<u>\$ 14,111</u>	<u>\$ (7,250)</u>	<u>\$ (1,862,630)</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	<u>Police and Firefighters' Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 76,236
Investments	<u>786,953</u>
TOTAL ASSETS	<u>\$ 863,189</u>
NET POSITION	
Net position held in trust for pension benefits	<u>\$ 863,189</u>
TOTAL NET POSITION	<u>\$ 863,189</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
for the year ended June 30, 2022

	<u>Police and Firefighters' Pension Fund</u>
Additions	
Employer contributions	\$ 135,000
Interest and dividends	34,357
Realized gains (loss) on investments	7,938
Unrealized gains (loss) on investments	<u>(114,690)</u>
 Total additions	 <u>62,605</u>
Deductions	
Benefit payments	169,834
Investment expense	<u>3,759</u>
 Total deductions	 <u>173,593</u>
 Change in net position	 <u>(110,988)</u>
 Net position, beginning of year	 <u>974,177</u>
 NET POSITION, END OF YEAR	 <u>\$ 863,189</u>

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Related Organizations

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

C. Jointly Governed Organizations

The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission (DBCPZC). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$75,000 for an operating grant to the DBCPZC for the year ended June 30, 2022.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board (DBCAB). The board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$10,000 for an operating grant to the DBCAB for the year ended June 30, 2022.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission (DBCTC). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2022.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-wide and Fund Financial Statements

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

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

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

E. Basis of Presentation

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation (continued)

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

Major Governmental Funds:

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

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

Major Proprietary Funds:

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

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

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash Deposits and Investments

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

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

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

All investments are reported at fair value.

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

G. Receivables and Payables

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

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

H. Inventories

All inventories are valued at lower of cost or market, using the first-in first-out (FIFO) method.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted Assets

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

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

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

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

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair market value on the date received.

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

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

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

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

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

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

L. Long-term Obligations

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions

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

N. Postemployment Benefits Other Than Pensions (OPEB)

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

O. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

P. Fund Balance

Fund balance of the governmental funds is 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 Danville. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

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

Unassigned — all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the City considers amounts to have been spent first out of committed funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Reconciliation of Government-wide and Fund Financial Statements

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

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

R. Change in Accounting Policy

In June 2017, the GASB issued Statement No. 87, Leases, which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In addition, GASB 87 requires the lessee 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. The City implemented GASB 87 during the fiscal year ending June 30, 2022. These changes were incorporated in the City's June 30, 2022, financial statements and resulted in a restatement of net position. See Note 15 for the restatement of the City's lease liability.

S. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through November 6, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2022, have not been evaluated by the City.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

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

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

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

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

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

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

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

B. Property Taxes

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

For the year ended June 30, 2022, taxes were levied November 1, 2021 and were payable by December 31, 2021. A 10% penalty was imposed on all taxes delinquent as of January 1, 2022. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2022 delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 13.80 cents per \$100 on real property, 19.02 cents per \$100 on personal property, and 20.00 cents per \$100 on motor vehicles and personal watercraft for the fiscal year ended June 30, 2022, are within permissible limits under the above legislation.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3. CASH DEPOSITS AND INVESTMENTS

The City's investment policy follows applicable state statutes and allows the City to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies, and certain shares of mutual funds. In addition, trust funds may invest in uninsured corporate securities.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, the City held investments in one municipal bond.

Over 90% percent of the primary government's investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (AAA rated) and U.S. Agencies.

Over 90% of the fiduciary fund investments are in A to BAA rated Corporate Bonds, fourteen different Mutual Funds and eighteen different Domestic Equities.

Custodial Credit Risk

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

As of June 30, 2022, the City's deposits were fully covered by federal depository insurance or by collateral held by the custodial banks in the City's name.

Total bank deposits	\$ 45,655,548
FDIC insured	(1,257,168)
Collateral held by pledging bank	<u>(47,370,201)</u>
(Over) collateralized	\$ <u>(2,971,821)</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that, with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

The fiduciary fund places no limit on the amount the fund may invest in any one issuer. The fiduciary fund has 51% of its investments invested in common stock of eighteen companies. The remaining investments are concentrated as follows – 12% in corporate bonds, 29% in mutual funds, 5% in alternative investments and 3% in foreign equities.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at June 30, 2022, are as follows:

Investment type	Carrying Value	Investment Maturities in Years			
		1 year or less	1-5	6-10	More than 10
Primary Government					
U.S. Agencies	\$ 688,859	\$ 25,036	\$ 254,248	\$ 388,905	\$ 20,670
Municipal Bonds	25,058	-	25,058	-	-
Money Market					
Mutual Funds	324,370	324,370	-	-	-
Certificates of Deposit	<u>767,856</u>	<u>-</u>	<u>767,856</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,806,143</u>	<u>\$ 349,406</u>	<u>\$ 1,047,162</u>	<u>\$ 388,905</u>	<u>\$ 20,670</u>
Fiduciary Fund					
Corporate Bonds	\$ 94,392	\$ 30,044	\$ 64,348	\$ -	\$ -
Mutual Funds	225,965	225,965	-	-	-
Foreign Equities	24,996	24,996	-	-	-
Alternative Investments	40,991	40,991	-	-	-
Domestic Equities	<u>400,609</u>	<u>400,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 786,953</u>	<u>\$ 7221,605</u>	<u>\$ 64,348</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Valuation

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

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2022:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Primary Government				
U.S. Agencies	\$ 688,859	\$ 688,859	\$ -	\$ -
Municipal Bonds	25,058	-	25,058	-
Money Market Mutual Funds	324,370	324,370	-	-
Certificates of Deposit	<u>767,856</u>	<u>767,856</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,806,143</u>	<u>\$ 1,781,085</u>	<u>\$ 25,058</u>	<u>\$ -</u>
Fiduciary Funds				
Corporate Bonds	\$ 94,392	\$ -	\$ 94,392	\$ -
Mutual Funds	225,965	225,965	-	-
Foreign Equities	24,996	24,996	-	-
Alternative Investments	40,991	-	40,991	-
Domestic Equities	<u>400,609</u>	<u>400,609</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 786,953</u>	<u>\$ 651,570</u>	<u>\$ 135,383</u>	<u>\$ -</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4. RECEIVABLES

Receivables at June 30, 2022, are as follows:

	General Fund	MRA Fund	Nonmajor Funds	Governmental Funds Total	
Governmental funds:					
Taxes	\$ 30,160	\$ -	\$ -	\$ 30,160	
Licenses and fees	808,860	-	-	808,860	
Intergovernmental	50,538	33,480	1,903	85,921	
Fines and forfeitures	906	-	-	906	
Other revenues	<u>103,256</u>	<u>-</u>	<u>-</u>	<u>103,256</u>	
Gross receivables	993,720	33,480	1,903	1,029,103	
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net receivables	<u>\$ 993,720</u>	<u>\$ 33,480</u>	<u>\$ 1,903</u>	<u>\$ 1,029,103</u>	
	Utilities Fund	Parking Fund	Storm Water Fund	Nonmajor Funds	Proprietary Funds Total
Proprietary funds:					
Customers	\$ 1,588,248	\$ 35,327	\$ 155,037	\$ 219,334	\$ 1,997,946
Intergovernmental	<u>-</u>	<u>1,072</u>	<u>-</u>	<u>5,645</u>	<u>6,717</u>
Gross receivables	1,588,248	36,399	155,037	224,979	2,004,663
Less: allowance for uncollectible	<u>(997,755)</u>	<u>(4,572)</u>	<u>(126,494)</u>	<u>(144,233)</u>	<u>(1,273,054)</u>
Net receivables	<u>\$ 590,493</u>	<u>\$ 31,827</u>	<u>\$ 28,543</u>	<u>\$ 80,746</u>	<u>\$ 731,609</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,734,592	\$ -	\$ -	\$ 4,734,592
Construction in progress	<u>2,269,325</u>	<u>5,731,761</u>	<u>(124,537)</u>	<u>7,876,549</u>
Total	<u>7,003,917</u>	<u>5,731,761</u>	<u>(124,537)</u>	<u>12,611,141</u>
Capital assets being depreciated or amortized:				
Land improvements	2,197,558	53,456	-	2,251,014
Buildings	12,504,791	11,472	-	12,516,263
Vehicles	3,876,640	262,020	-	4,138,660
Equipment	5,649,578	396,073	-	6,045,651
Leased assets	<u>460,917</u>	<u>682,244</u>	<u>(25,977)</u>	<u>1,117,184</u>
Total	<u>24,689,484</u>	<u>1,405,265</u>	<u>(25,977)</u>	<u>26,068,772</u>
Total non-infrastructure assets	<u>31,693,401</u>	<u>7,137,026</u>	<u>(150,514)</u>	<u>38,679,913</u>
Infrastructure assets	<u>88,764,718</u>	<u>18,835</u>	<u>-</u>	<u>88,783,553</u>
Total capital assets	<u>120,458,119</u>	<u>7,155,861</u>	<u>(150,514)</u>	<u>127,463,466</u>
Accumulated depreciation:				
Land improvements	888,842	57,523	-	946,365
Buildings	4,280,356	310,615	-	4,590,971
Vehicles	3,647,131	75,944	-	3,723,075
Equipment	3,228,244	461,473	-	3,689,717
Infrastructure	<u>81,792,176</u>	<u>356,756</u>	<u>-</u>	<u>82,148,932</u>
Total	<u>93,836,749</u>	<u>1,262,311</u>	<u>-</u>	<u>95,099,060</u>
Accumulated amortization:				
Leased assets	<u>-</u>	<u>309,108</u>	<u>(8,745)</u>	<u>300,363</u>
Total	<u>-</u>	<u>309,108</u>	<u>(8,745)</u>	<u>300,363</u>
Total capital assets, net	<u>\$ 26,621,370</u>	<u>\$ 5,584,442</u>	<u>\$ (141,769)</u>	<u>\$ 32,064,043</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,534,850	\$ 22,500	\$ -	\$ 1,557,350
Construction in progress	<u>5,244,272</u>	<u>9,887,377</u>	<u>(416,063)</u>	<u>14,715,586</u>
Total	<u>6,779,122</u>	<u>9,909,877</u>	<u>(416,063)</u>	<u>16,272,936</u>
Capital assets being depreciated or amortized:				
Buildings	36,827,381	-	-	36,827,381
Improvements	470,683	11,495	(5,902)	476,276
Vehicles	657,537	-	-	657,537
Equipment	1,755,340	-	-	1,755,340
Infrastructure	62,146,676	429,037	-	62,575,713
Leased assets	<u>307,468</u>	<u>439,762</u>	<u>(116,373)</u>	<u>630,857</u>
Total	<u>102,165,085</u>	<u>880,294</u>	<u>(122,275)</u>	<u>102,923,104</u>
Total capital assets	<u>108,944,207</u>	<u>10,790,171</u>	<u>(538,338)</u>	<u>119,196,040</u>
Accumulated depreciation:				
Buildings	5,603,176	910,403	-	6,513,579
Improvements	243,214	22,058	-	265,272
Vehicles	656,638	4,708	(4,036)	657,310
Equipment	1,594,699	38,319	-	1,633,018
Infrastructure	<u>30,181,625</u>	<u>1,088,057</u>	<u>-</u>	<u>31,269,682</u>
Total	<u>38,279,352</u>	<u>2,063,545</u>	<u>(4,036)</u>	<u>40,338,861</u>
Accumulated amortization:				
Leased assets	<u>-</u>	<u>275,537</u>	<u>(82,056)</u>	<u>193,481</u>
Total	<u>-</u>	<u>275,537</u>	<u>(82,056)</u>	<u>193,481</u>
Total capital assets, net	<u>\$ 70,664,855</u>	<u>\$ 8,451,089</u>	<u>\$ (452,246)</u>	<u>\$ 78,663,698</u>

Depreciation and amortization expense was charged to the governmental functions as follows:

General government	\$ 711,901
Public services	332,149
Public safety	<u>527,369</u>
Total depreciation expense	<u>\$ 1,571,419</u>

Depreciation and amortization expense was charged to the proprietary functions as follows:

Utilities	\$ 2,009,223
Cemetery	19,138
Museum	17,969
Parking	209,543
Storm Water	<u>83,209</u>
Total depreciation expense	<u>\$ 2,339,082</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LEASE RECEIVABLES

Lease Receivables and Deferred Inflows of Resources

On January 14, 2008, the City entered into a lease agreement with Farmers National Bank to lease out 35 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30 year term expires. The lease term is scheduled to terminate in fiscal year 2038. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$255,160. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2022, totaled \$241,767. The City reported interest revenue totaling \$7,186 and lease revenue totaling \$13,393 for fiscal year 2022.

On January 14, 2008, the City entered into a lease agreement with Central Kentucky Ambulatory Surgery Center to lease out 100 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30 year term expires. The lease term is scheduled to terminate in fiscal year 2038. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$729,028. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2022, totaled \$690,761. The City reported interest revenue totaling \$20,533 and lease revenue totaling \$38,267 for fiscal year 2022.

On January 14, 2008, the City entered into a lease agreement with Ephraim McDowell Regional Medical Center to lease out 160 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30 year term expires. The lease term is scheduled to terminate in fiscal year 2038. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$1,166,445. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2022, totaled \$1,105,219. The City reported interest revenue totaling \$32,853 and lease revenue totaling \$61,227 for fiscal year 2022.

On January 14, 2008, the City entered into a lease agreement with Malcom Bryant Corporation (formerly Lanreal, Inc.) to lease out 35 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30 year term expires. The lease term is scheduled to terminate in fiscal year 2038. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$255,160. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2022, totaled \$241,766. The City reported interest revenue totaling \$7,187 and lease revenue totaling \$13,393 for fiscal year 2022.

The present value of expected future minimum lease payments is as follows:

June 30,	Principal	Interest	Total
2023	\$ 107,255	\$ 86,785	\$ 194,040
2024	111,472	82,568	194,040
2025	115,855	78,185	194,040
2026	120,410	73,630	194,040
2027	125,144	68,896	194,040
2028-2032	703,507	266,693	970,200
2033-2037	853,116	117,084	970,200
2038	<u>142,754</u>	<u>2,777</u>	<u>145,531</u>
	<u>\$ 2,279,513</u>	<u>\$ 776,618</u>	<u>\$ 3,056,131</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LEASE RECEIVABLES (CONTINUED)

Lease Receivables and Deferred Inflows of Resources (continued)

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During FY22, the City recognized \$67,760 of interest revenue and \$126,280 of lease revenue from the lease agreements.

7. LEASE LIABILITIES

Governmental Activities

On March 12, 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 1.85 – 4.03%. The balance of the liability related to the vehicle leases as of June 30, 2022, totaled \$826,104.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2023	\$ 304,598	\$ 13,159	\$ 317,757
2024	246,985	10,823	257,808
2025	168,984	7,385	176,369
2026	88,896	4,874	93,770
2027	<u>16,641</u>	<u>615</u>	<u>17,256</u>
	<u>\$ 826,104</u>	<u>\$ 36,856</u>	<u>\$ 862,960</u>

Business-type Activities

On March 12, 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease terms for the vehicle leases are 60 months. The interest rates for the vehicle leases range from 2.49 – 4.08%. The balance of the liability related to the vehicle leases as of June 30, 2022, totaled \$430,002.

Annual requirements to maturity for all business-type long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2023	\$ 133,099	\$ 5,304	\$ 138,403
2024	97,711	3,956	101,667
2025	82,213	3,307	85,520
2026	79,120	3,198	82,318
2027	<u>37,859</u>	<u>2,351</u>	<u>40,210</u>
	<u>\$ 430,002</u>	<u>\$ 18,116</u>	<u>\$ 448,118</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS

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

A. Police and Firefighters' Retirement Fund (PFRF)

1 - Plan Description and Provisions

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

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

Plan Members	Employees
Retirees	8
Active	0

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

1 - Plan Description and Provisions (continued)

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

2 – Measurement Focus and Basis of Accounting

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

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

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic fixed income	35%	5.0%
Domestic equity	60%	8.5%
Cash	<u>5%</u>	<u>1.5%</u>
	100%	6.9%
Less: Investment expense		-0.4%
Net		6.5%

3 – Investments

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

4 – Net Pension Liability

The components of the net pension liability at June 30, 2022, were as follows:

Total pension liability	\$ 1,855,592
Less: Plan fiduciary net position	<u>863,189</u>
Net position liability	<u>\$ 992,403</u>
Plan fiduciary net position as a percentage of total pension liability	46.52%

Actuarial Assumptions – The total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

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

Mortality rates for post-retirement were based on Pub-S 2010 Mortality Table, with adjustments for generationally with Scale MP 2019.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

4 – Net Pension Liability (continued)

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

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

	Discount Rate	Net Pension Liability (Asset)
1% decrease	5.50%	\$ 1,150,026
Current discount rate	6.50%	\$ 992,403
1% increase	7.50%	\$ 855,584

5 – Employer Contributions

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

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with Kentucky Revised Statutes. For the year ended June 30, 2022, the City made a contribution of \$135,000.

6 – Pension Expense and Deferred Outflows/Inflows

For the year ended June 30, 2022, the City recognized pension expense of \$48,757. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ 122,979	\$ 73,536

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

Year ending June 30,

2023	\$ 7,204
2024	\$ 10,441
2025	\$ 4,183
2026	\$ 27,615

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System

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

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

Contributions – For the year ended June 30, 2022, 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, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee's wages for non-hazardous job classifications and 44.33% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 21.17% to the pension trust for non-hazardous job classifications and 33.86% 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 Public Pensions Authority are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2022, the City contributed \$983,748, or 100% of the required contribution for non-hazardous job classifications, and \$1,200,954, or 100% of the required contribution for hazardous job classifications.

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System (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 and 4 years of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	Not available

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, 2022, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net			
Pension Liability	Non-hazardous	Hazardous	
<u>\$ 21,355,170</u>	<u>\$ 9,382,668</u>	<u>\$ 11,972,502</u>	

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2021, was as follows:

Non-hazardous	Hazardous
.1472%	.4497%

The proportionate share at June 30, 2021 increased .0191% for non-hazardous and decreased .0099% for hazardous compared to the proportionate share as of June 30, 2020.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System (continued)

For the year ended June 30, 2022, the City recognized pension expense of \$2,646,220. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 437,904	\$ 91,065
Changes of assumptions	275,461	-
Net difference between projected and actual earnings on Plan investments	-	2,535,825
Changes in proportion and differences between City contributions and proportionate share of contributions	1,044,085	496,721
City contributions subsequent to the measurement date	<u>2,090,122</u>	<u>-</u>
Total	<u>\$ 3,847,572</u>	<u>\$ 3,123,611</u>

The \$2,090,122 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, 2023. Contributions exclude \$94,580 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2023	\$ 193,657
2024	\$ (187,525)
2025	\$ (570,613)
2026	\$ (801,680)

Actuarial Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

Hazardous

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System (continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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 nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

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 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System (continued)

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%, 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%) or 1-percentage-point higher (7.25%) 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%	\$ 12,033,717		5.25%	\$ 15,260,616	
Current discount rate	6.25%	\$ 9,382,668		6.25%	\$ 11,972,502	
1% increase	7.25%	\$ 7,188,987		7.25%	\$ 9,292,703	

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2022, the employer's contribution was 5.78% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2022, the City contributed \$268,591, or 100% of the required contribution for non-hazardous job classifications, and \$371,352, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
<u>\$ 6,451,991</u>	<u>\$ 2,816,673</u>	<u>\$ 3,635,318</u>

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2021 was as follows:

Non-hazardous	Hazardous
.1471%	.4497%

The proportionate share at June 30, 2021 increased .0189% for non-hazardous and decreased .0100% for hazardous compared to the proportionate share as of June 30, 2020.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$846,834. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 556,552	\$ 1,232,174
Changes of assumptions	1,658,659	3,978
Net difference between projected and actual earnings on Plan investments	371,295	1,496,361
Changes in proportion and differences between City contributions and proportionate share of contributions	401,134	201,539
City contributions subsequent to the measurement date	<u>731,215</u>	<u>-</u>
Total	<u>\$ 3,718,855</u>	<u>\$ 2,934,052</u>

The \$731,215 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Contributions exclude \$27,304 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$118,576 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,		
2023	\$	75,694
2024	\$	83,264
2025	\$	49,739
2026	\$	(217,262)
2027	\$	62,153

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30%-10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 6.30% at January 1, 2023, and then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Hazardous

Inflation	2.30%
Salary increases	3.55%-19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan’s fiscal year ending June 30, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% and 5.30% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	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	4.20%	\$ 3,867,271	4.05%	\$ 5,271,971
Current discount rate	5.20%	\$ 2,816,673	5.05%	\$ 3,636,318
1% increase	6.20%	\$ 1,954,483	6.05%	\$ 2,322,165

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

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability	Discount rate	City’s proportionate share of net OPEB liability
1% decrease		\$ 2,027,670		\$ 2,382,714
Current discount rate		\$ 2,816,673		\$ 3,636,318
1% increase		\$ 3,769,012		\$ 5,171,684

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

10. LONG-TERM DEBT

The following is a summary of changes in governmental long-term debt of the City for the year ended June 30, 2022:

Description	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Due within One Year
<u>Governmental Activities</u>					
<u>General Fund</u>					
KLC note payable with interest at 3.00%, maturing in fiscal year 2038	\$ 3,461,484	\$ -	\$ 143,255	\$ 3,318,229	\$ 149,435
Series 2012 GO with interest at 1.00% to 3.25% maturing in fiscal year 2038	3,275,000	-	160,000	3,115,000	160,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	1,031,494	-	48,732	982,762	48,732
Series 2018 GO with interest at 3.60% to 4.00% maturing in fiscal year 2039	9,670,000	-	340,000	9,330,000	365,000
Series 2020B GO with interest at 1.64% maturing in fiscal year 2027	244,600	-	39,100	205,500	39,800
Premiums/(Discounts)	<u>453,701</u>	<u>-</u>	<u>18,213</u>	<u>435,488</u>	<u>-</u>
Total bonds and notes payable	<u>18,136,279</u>	<u>-</u>	<u>749,300</u>	<u>17,386,979</u>	<u>762,967</u>
Compensated absences	297,245	35,685	-	332,930	16,647
Lease liability	460,918	682,244	317,058	826,104	304,598
Net pension liability - CERS	19,324,055	-	2,893,981	16,430,074	-
Net OPEB liability - CERS	5,972,690	-	999,212	4,973,478	-
Net pension liability – Police and firefighters' retirement	<u>948,089</u>	<u>44,314</u>	<u>-</u>	<u>992,403</u>	<u>-</u>
Total governmental activities	<u>\$ 45,139,276</u>	<u>\$ 762,243</u>	<u>\$ 4,959,551</u>	<u>\$ 40,941,968</u>	<u>\$ 1,084,212</u>

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

Year ended	Principal	Interest	Total
2023	\$ 762,967	\$ 611,716	\$ 1,374,683
2024	788,829	584,171	1,373,000
2025	816,661	554,967	1,371,628
2026	843,223	525,388	1,368,611
2027	876,133	494,428	1,370,561
2028-2032	4,744,180	1,973,124	6,717,304
2033-2037	5,837,163	997,123	6,834,286
2038-2039	2,282,335	80,781	2,363,116
Premiums	<u>435,488</u>	<u>-</u>	<u>435,488</u>
	<u>\$ 17,386,979</u>	<u>\$ 5,821,698</u>	<u>\$ 23,208,677</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

10. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in proprietary long-term debt of the City for the year ended June 30, 2022:

Description	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Due within One Year
<i>Business-type Activities</i>					
<i>Utility Fund</i>					
Series 2010 with interest at 3.00% maturing in fiscal year 2050	\$ 517,000	\$ -	\$ 11,000	\$ 506,000	\$ 11,000
KIA note payable with interest at 1.75% maturing in fiscal year 2038	10,247,682	-	540,764	9,706,918	550,269
Series 2014A GO with interest at 3.00% to 3.75% maturing in fiscal year 2035	2,295,000	-	145,000	2,150,000	150,000
Series 2015A with interest at 2.875% maturing in fiscal year 2055	8,092,000	-	137,000	7,955,000	141,000
Series 2015B with interest at 2.25% maturing in fiscal year 2055	4,682,500	-	85,000	4,597,500	87,500
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	7,100,000	-	280,000	6,820,000	295,000
Series 2020 with interest at 2.00% to 5.00% maturing in fiscal year 2045	11,955,000	-	170,000	11,785,000	180,000
KIA loan #F19-042 with interest at 2.00%. Principal payments commence after project completion.	676,385	2,176,040	-	2,852,425	-
Premiums/(Discounts)	<u>1,160,876</u>	<u>-</u>	<u>51,072</u>	<u>1,109,804</u>	<u>-</u>
Total Utility Fund	<u>46,726,443</u>	<u>2,176,040</u>	<u>1,419,836</u>	<u>47,482,647</u>	<u>1,414,769</u>
<i>Storm Water Fund</i>					
Series 2020B GO with interest at 1.64% maturing in fiscal year 2030	<u>403,900</u>	<u>-</u>	<u>42,000</u>	<u>361,900</u>	<u>42,700</u>
Total Storm Water Fund	<u>403,900</u>	<u>-</u>	<u>42,000</u>	<u>361,900</u>	<u>42,700</u>
<i>Parking Fund</i>					
Series 2014C GO with interest at 2.50% to 3.86% maturing in fiscal year 2036	945,000	-	45,000	900,000	45,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	203,836	-	9,630	194,206	9,630
Series 2017B GO with interest at 2.00% to 3.00% maturing in fiscal year 2036	2,315,000	-	120,000	2,195,000	125,000
Premiums/(Discounts)	<u>58,100</u>	<u>-</u>	<u>3,050</u>	<u>55,050</u>	<u>-</u>
Total Parking Fund	<u>3,521,936</u>	<u>-</u>	<u>177,680</u>	<u>3,344,256</u>	<u>179,630</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

10. LONG-TERM DEBT (CONTINUED)

Description	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Due within One Year
<u>Business-type Activities</u>					
<u>Museum Fund</u>					
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	34,671	-	1,638	33,033	1,638
Premiums/(Discounts)	<u>2,994</u>	<u>-</u>	<u>81</u>	<u>2,913</u>	<u>-</u>
Total Museum Fund	<u>37,665</u>	<u>-</u>	<u>1,719</u>	<u>35,946</u>	<u>1,638</u>
Total bonds and notes payable	<u>50,689,944</u>	<u>2,176,040</u>	<u>1,641,235</u>	<u>51,224,749</u>	<u>1,638,737</u>
Compensated absences	137,056	21,034	-	158,090	7,904
Lease liability	307,467	439,762	317,227	430,002	133,099
Net pension liability - CERS	4,354,673	570,423	-	4,925,096	-
Net OPEB liability - CERS	<u>1,373,185</u>	<u>105,328</u>	<u>-</u>	<u>1,478,513</u>	<u>-</u>
Total business-type activities	<u>\$ 56,862,325</u>	<u>\$ 3,312,587</u>	<u>\$ 1,958,462</u>	<u>\$ 58,216,450</u>	<u>\$ 1,779,740</u>

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2022 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the various funds. At June 30, 2022, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

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

Year ended	Principal	Interest	Total
2023	\$ 1,638,737	\$ 1,223,990	\$ 2,862,727
2024	1,687,048	1,174,116	2,861,164
2025	1,740,089	1,121,947	2,862,036
2026	1,794,743	1,067,625	2,862,368
2027	1,853,734	1,017,009	2,870,743
2028-2032	9,986,040	4,380,089	14,366,129
2033-2037	11,196,407	3,103,093	14,299,500
2038-2042	7,353,759	1,849,924	9,203,683
2043-2047	5,635,500	929,599	6,565,099
2048-2052	2,609,000	436,584	3,045,584
2053-2055	1,709,500	91,598	1,801,098
Deferred (KIA loan)	2,852,425	-	2,852,425
Premiums	<u>1,167,767</u>	<u>-</u>	<u>1,167,767</u>
	<u>\$ 51,224,749</u>	<u>\$ 16,395,574</u>	<u>\$ 67,620,323</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

11. CONDUIT DEBT OBLIGATIONS

The City occasionally issues Industrial Revenue Bonds to assist local private sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of the City or a pledge of faith and credit of the City. Accordingly, the bonds and related assets are not included in the City's financial statements. The amount of bonds outstanding at June 30, 2022, is not readily available.

12. CONTINGENT LIABILITIES

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

13. RISK MANAGEMENT

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

The City has established a Health Self-Insurance Plan. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$50,000 of a participant's medical claim is payable by the Health Self-Insurance Plan. The City purchases insurance for claims in excess of coverage provided by the fund. All funds with employees of the City participate in the program and make payments to the health fund based on estimates of the amount needed to pay current year claims. Claims totaling \$46,206 have been included in accounts payable at June 30, 2022, based on claims incurred and settled after year end. A liability for incurred but not reported claims as of June 30, 2022, has not been estimated based on the nature of the claims process. This is in accordance with the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements unless such an estimate cannot be made.

14. TRANSFER OF FUNDS

Transfers between funds consisted of the following for the fiscal year ended June 30, 2022:

Type	From fund	To fund	Purpose	Amount
Operating	Municipal Road Aid	General	Street repairs	\$ 25,000
Operating	General	Parks & Recreation	Operating expense	1,220,109
Operating	General	Museum	Operating expense	41,744
Operating	General	Cemetery	Operating expense	150,568
Operating	General	Streetscape	Operating expense	514,021
Operating	General	Parking	Operating expense	<u>127,822</u>
				<u>\$ 2,079,264</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

15. RESTATEMENT OF NET POSITION

Implementation of new accounting standards GASB Statement No. 87

During fiscal year 2022, the City implemented GASB Statement No. 87, Leases, as described more fully in Note 1. The City had previously recorded leases, for which it was the lessee, as a lease liability and recorded the underlying assets. Following the implementation of GASB 87, the lease liabilities and leased assets were restated to the present value of future lease payments effective July 1, 2021, which resulted in a restatement of beginning net position as follows:

	2022
Governmental activities	
Net position, at beginning of year	\$ 18,274,545
Plus change in lease liability and leased assets	<u>389,164</u>
Net position, at beginning of year, as restated	<u>\$ 18,663,709</u>
Business-type activities	
Utility Fund	
Net position, at beginning of year	\$ 23,558,246
Plus change in lease liability and leased assets	<u>345,371</u>
Net position, at beginning of year, as restated	\$ 23,903,617
Stormwater Fund	
Net position, at beginning of year	\$ 2,331,078
Plus change in lease liability and leased assets	<u>44,367</u>
Net position, at beginning of year, as restated	<u>\$ 2,375,445</u>
Nonmajor Funds	
Net position, at beginning of year	\$ 733,721
Plus change in lease liability and leased assets	<u>11,787</u>
Net position, at beginning of year, as restated	<u>\$ 745,508</u>
Total Business-type activities net position, as restated	<u>\$ 27,024,570</u>

16. SUBSEQUENT EVENT

On October 25, 2023, the City issued General Obligation Public Project Bond Anticipation Note, Series totaling \$6,500,000. The Bond Anticipation Note matures on October 1, 2026 and bears interest at 4.75%. The proceeds are to be used for multiple utility projects: Perryville Road Phase 3, Wastewater Treatment Plant Phase 1, McKinney Waterline Project, US 150 Pump Station Project, and the Gose Pike Sewer.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 2,150,000	\$ 2,150,000	\$ 2,106,948	\$ (43,052)
Licenses and fees	13,492,411	13,492,411	17,778,897	4,286,486
Intergovernmental revenue	1,705,000	1,705,000	393,551	(1,311,449)
Penalties and forfeitures	8,000	8,000	14,435	6,435
Other revenue	<u>1,667,649</u>	<u>1,667,649</u>	<u>1,551,892</u>	<u>(115,757)</u>
Total revenues	<u>19,023,060</u>	<u>19,023,060</u>	<u>21,845,723</u>	<u>2,822,663</u>
Expenditures				
Current operating				
General government	2,690,388	2,690,388	2,899,916	(209,528)
Public services	1,794,913	1,794,913	2,034,354	(239,441)
Public safety	10,400,150	10,400,150	9,209,717	1,190,433
Community services	913,284	913,284	762,252	151,032
Debt service	1,636,153	1,636,153	1,673,431	(37,278)
Capital outlay	<u>8,294,500</u>	<u>8,294,500</u>	<u>5,942,336</u>	<u>2,352,164</u>
Total expenditures	<u>25,729,388</u>	<u>25,729,388</u>	<u>22,522,006</u>	<u>3,207,382</u>
Excess (deficiency) of revenues over expenditures	(6,706,328)	(6,706,328)	(676,283)	6,030,045
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	622,663	622,663
Transfers (to) from other funds	<u>(3,885,249)</u>	<u>(3,885,249)</u>	<u>(2,029,264)</u>	<u>1,855,985</u>
Total other financing sources (uses)	(3,885,249)	(3,885,249)	(1,406,601)	2,478,648
Excess (deficiency) of revenues over expenditures and transfers	(10,591,577)	(10,591,577)	(2,082,884)	8,508,693
Fund balance, beginning of year	<u>31,980,976</u>	<u>31,980,976</u>	<u>31,980,976</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 21,389,399</u>	<u>\$ 21,389,399</u>	<u>\$ 29,898,092</u>	<u>\$ 8,508,693</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes				
Real and personal property	\$ 1,550,000	\$ 1,550,000	\$ 1,492,024	\$ (57,976)
Tangible property	400,000	400,000	319,841	(80,159)
Motor vehicle	150,000	150,000	250,031	100,031
PILOT - Housing Authority	50,000	50,000	45,052	(4,948)
Total taxes	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,106,948</u>	<u>(43,052)</u>
Licenses and fees				
Payroll licenses	15,000	15,000	(8,693)	(23,693)
Insurance licenses	2,850,000	2,850,000	2,934,862	84,862
Occupational licenses	7,571,762	7,571,762	9,412,664	1,840,902
Net profits	1,265,649	1,265,649	3,415,162	2,149,513
Liquor licenses	600,000	600,000	729,707	129,707
Franchise fees-Rural Electric Cooperative Corporation	20,000	20,000	27,640	7,640
Franchise fees-Kentucky Utilities	800,000	800,000	876,378	76,378
Franchise fees-Atmos	120,000	120,000	118,371	(1,629)
Franchise fees-Comcast	100,000	100,000	121,619	21,619
Franchise fees-Bank	150,000	150,000	151,187	1,187
Total licenses and fees	<u>13,492,411</u>	<u>13,492,411</u>	<u>17,778,897</u>	<u>4,286,486</u>
Intergovernmental revenue				
Firefighters' incentive	100,000	100,000	151,762	51,762
Law enforcement incentive	140,000	140,000	177,540	37,540
BASE court	18,000	18,000	18,099	99
Other intergovernmental revenue	1,447,000	1,447,000	46,150	(1,400,850)
Total intergovernmental revenue	<u>1,705,000</u>	<u>1,705,000</u>	<u>393,551</u>	<u>(1,311,449)</u>
Fines and forfeitures				
Arrest fees	5,000	5,000	6,028	1,028
Other penalties	3,000	3,000	8,407	5,407
Total fines and forfeitures	<u>8,000</u>	<u>8,000</u>	<u>14,435</u>	<u>6,435</u>
Other revenue				
Fire protection	214,250	214,250	27,629	(186,621)
Community contracts	331,508	331,508	644,817	313,309
Management fees	618,891	618,891	618,891	-
Contributions	10,000	10,000	14,442	4,442
Change in fair value of investments	500	500	(75,984)	(76,484)
Interest	150,000	150,000	156,101	6,101
E-911	245,000	245,000	74,664	(170,336)
Insurance proceeds	5,000	5,000	-	(5,000)
School officer	37,500	37,500	31,304	(6,196)
Miscellaneous	55,000	55,000	60,028	5,028
Total other revenue	<u>1,667,649</u>	<u>1,667,649</u>	<u>1,551,892</u>	<u>(115,757)</u>
Total revenue	<u>\$ 19,023,060</u>	<u>\$ 19,023,060</u>	<u>\$ 21,845,723</u>	<u>\$ 2,822,663</u>

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government				
Legislative and executive				
Personnel	\$ 837,475	\$ 837,475	\$ 910,527	\$ (73,052)
Contractual	342,000	342,000	368,511	(26,511)
Other	<u>105,700</u>	<u>105,700</u>	<u>118,934</u>	<u>(13,234)</u>
Total legislative and executive	<u>1,285,175</u>	<u>1,285,175</u>	<u>1,397,972</u>	<u>(112,797)</u>
Finance and administration				
Personnel	496,061	496,061	527,221	(31,160)
Contractual	405,750	405,750	491,106	(85,356)
Other	<u>19,550</u>	<u>19,550</u>	<u>16,800</u>	<u>2,750</u>
Total finance and administration	<u>921,361</u>	<u>921,361</u>	<u>1,035,127</u>	<u>(113,766)</u>
Information technology				
Personnel	354,302	354,302	311,213	43,089
Contractual	80,150	80,150	98,509	(18,359)
Other	<u>49,400</u>	<u>49,400</u>	<u>57,095</u>	<u>(7,695)</u>
Total information technology	<u>483,852</u>	<u>483,852</u>	<u>466,817</u>	<u>17,035</u>
Total general government	<u>2,690,388</u>	<u>2,690,388</u>	<u>2,899,916</u>	<u>(209,528)</u>
Public services				
Personnel	563,713	563,713	746,213	(182,500)
Contractual	943,700	943,700	1,046,502	(102,802)
Other	<u>287,500</u>	<u>287,500</u>	<u>241,639</u>	<u>45,861</u>
Total public services	<u>1,794,913</u>	<u>1,794,913</u>	<u>2,034,354</u>	<u>(239,441)</u>
Public safety				
Police department				
Personnel	4,352,974	4,352,974	4,032,437	320,537
Contractual	225,100	225,100	254,522	(29,422)
Other	<u>222,200</u>	<u>222,200</u>	<u>308,376</u>	<u>(86,176)</u>
Total police department	<u>4,800,274</u>	<u>4,800,274</u>	<u>4,595,335</u>	<u>204,939</u>
Communications and administration services				
Personnel	1,065,504	1,065,504	878,268	187,236
Contractual	85,850	85,850	125,027	(39,177)
Other	<u>53,150</u>	<u>53,150</u>	<u>21,142</u>	<u>32,008</u>
Total communications and administration services	<u>1,204,504</u>	<u>1,204,504</u>	<u>1,024,437</u>	<u>180,067</u>
Code enforcement				
Personnel	345,752	345,752	267,116	78,636
Contractual	83,790	83,790	39,631	44,159
Other	<u>13,400</u>	<u>13,400</u>	<u>16,266</u>	<u>(2,866)</u>
Total code enforcement	<u>442,942</u>	<u>442,942</u>	<u>323,013</u>	<u>119,929</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety, continued				
Fire and emergency services				
Personnel	\$ 3,626,780	\$ 3,626,780	\$ 2,898,417	\$ 728,363
Contractual	142,650	142,650	174,158	(31,508)
Other	183,000	183,000	194,357	(11,357)
Total fire and emergency services	<u>3,952,430</u>	<u>3,952,430</u>	<u>3,266,932</u>	<u>685,498</u>
Total public safety	<u>10,400,150</u>	<u>10,400,150</u>	<u>9,209,717</u>	<u>1,190,433</u>
Community services				
Community agencies				
Grants	136,400	136,400	134,900	1,500
Non-departmental				
Grants	246,000	246,000	145,268	100,732
Police and fire retirement	135,000	135,000	135,000	-
Economic development initiative	100,000	100,000	85,320	14,680
Contingency - general fund	243,884	243,884	2,009	241,875
Insurance/judgment/claims	37,000	37,000	259,755	(222,755)
Workers' comp audit	15,000	15,000	-	15,000
Total non-departmental	<u>776,884</u>	<u>776,884</u>	<u>627,352</u>	<u>149,532</u>
Total community services	<u>913,284</u>	<u>913,284</u>	<u>762,252</u>	<u>151,032</u>
Debt service				
Principal and interest	1,636,153	1,636,153	1,673,431	(37,278)
Total debt service	<u>1,636,153</u>	<u>1,636,153</u>	<u>1,673,431</u>	<u>(37,278)</u>
Capital outlay				
Finance and administration	180,000	180,000	43,734	136,266
Fire department	6,865,000	6,865,000	4,914,048	1,950,952
Public services	882,000	882,000	369,450	512,550
Police department	367,500	367,500	615,104	(247,604)
Total capital outlay	<u>8,294,500</u>	<u>8,294,500</u>	<u>5,942,336</u>	<u>2,352,164</u>
Total expenditures	<u>25,729,388</u>	<u>25,729,388</u>	<u>22,522,006</u>	<u>3,207,382</u>
Excess (deficiency) of revenues over expenditures	(6,706,328)	(6,706,328)	(676,283)	6,030,045
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	622,663	622,663
Transfers	(3,885,249)	(3,885,249)	(2,029,264)	1,855,985
Total other financing sources (uses)	<u>(3,885,249)</u>	<u>(3,885,249)</u>	<u>(1,406,601)</u>	<u>2,478,648</u>
Net change in fund balance	<u>\$ (10,591,577)</u>	<u>\$ (10,591,577)</u>	<u>\$ (2,082,884)</u>	<u>\$ 8,508,693</u>

**CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental revenue	\$ 305,000	\$ 305,000	\$ 358,162	\$ 53,162
Other revenue	<u>3,500</u>	<u>3,500</u>	<u>7,228</u>	<u>3,728</u>
Total revenues	<u>308,500</u>	<u>308,500</u>	<u>365,390</u>	<u>56,890</u>
Expenditures				
Current operating				
Public services	250,000	250,000	138,600	111,400
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>14,319</u>	<u>110,681</u>
Total expenditures	<u>375,000</u>	<u>375,000</u>	<u>152,919</u>	<u>222,081</u>
Excess (deficiency) of revenues over expenditures	(66,500)	(66,500)	212,471	278,971
Transfers (to) from other funds, net	<u>25,000</u>	<u>25,000</u>	<u>(25,000)</u>	<u>(50,000)</u>
Excess (deficiency) of revenues over expenditures and transfers	(41,500)	(41,500)	187,471	228,971
Fund balance, beginning of year	<u>759,881</u>	<u>759,881</u>	<u>759,881</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 718,381</u>	<u>\$ 718,381</u>	<u>\$ 947,352</u>	<u>\$ 228,971</u>

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	138,175	158,934	164,512	160,063	154,676	116,353	106,898	102,775	118,098	119,164
Difference between expected and actual experience	82,379	87,635	12,075	(8,253)	(540,591)	(88,390)	(7,251)	78,610	72,380	(16,004)
Changes in assumptions	475,464	93,992	-	-	-	-	-	212,836	-	-
Benefit payments	<u>(230,609)</u>	<u>(241,766)</u>	<u>(244,955)</u>	<u>(245,159)</u>	<u>(224,188)</u>	<u>(183,120)</u>	<u>(163,754)</u>	<u>(162,390)</u>	<u>(162,390)</u>	<u>(169,834)</u>
Net change in total pension liability	465,409	98,795	(68,368)	(93,349)	(610,103)	(155,157)	(64,107)	231,831	28,088	(66,674)
Total pension liability - beginning	<u>2,089,227</u>	<u>2,554,636</u>	<u>2,653,431</u>	<u>2,585,063</u>	<u>2,491,714</u>	<u>1,881,611</u>	<u>1,726,454</u>	<u>1,662,347</u>	<u>1,894,178</u>	<u>1,922,266</u>
Total pension liability - ending	<u>\$ 2,554,636</u>	<u>\$ 2,653,431</u>	<u>\$ 2,585,063</u>	<u>\$ 2,491,714</u>	<u>\$ 1,881,611</u>	<u>\$ 1,726,454</u>	<u>\$ 1,662,347</u>	<u>\$ 1,894,178</u>	<u>\$ 1,922,266</u>	<u>\$ 1,855,592</u>
Plan Fiduciary Net Position										
Contributions - employee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	190,000	126,000	190,000	165,000	165,000	165,000	135,000	135,000	135,000	135,000
Net investment income	107,005	123,406	26,925	46,190	84,891	47,760	67,125	22,174	170,536	(76,154)
Benefit payments	<u>(230,609)</u>	<u>(241,768)</u>	<u>(244,955)</u>	<u>(245,159)</u>	<u>(224,188)</u>	<u>(183,120)</u>	<u>(163,754)</u>	<u>(162,390)</u>	<u>(162,390)</u>	<u>(169,834)</u>
Net change in plan net position	66,396	7,638	(28,030)	(33,969)	25,703	29,640	38,371	(5,216)	143,146	(110,988)
Plan fiduciary net position - beginning	<u>730,498</u>	<u>796,894</u>	<u>804,532</u>	<u>776,502</u>	<u>742,533</u>	<u>768,236</u>	<u>797,876</u>	<u>836,247</u>	<u>831,031</u>	<u>974,177</u>
Plan fiduciary net position - ending	<u>796,894</u>	<u>804,532</u>	<u>776,502</u>	<u>742,533</u>	<u>768,236</u>	<u>797,876</u>	<u>836,247</u>	<u>831,031</u>	<u>974,177</u>	<u>863,189</u>
Net pension liability - ending	<u>\$ 1,757,742</u>	<u>\$ 1,848,899</u>	<u>\$ 1,808,561</u>	<u>\$ 1,749,181</u>	<u>\$ 1,113,375</u>	<u>\$ 928,578</u>	<u>\$ 826,100</u>	<u>\$ 1,063,147</u>	<u>\$ 948,089</u>	<u>\$ 992,403</u>
Plan fiduciary net position as a percentage of total pension liability	31.19%	30.32%	30.04%	29.80%	40.83%	46.21%	50.31%	43.87%	50.68%	46.52%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	N/A									

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 119,550	\$ 154,658	\$ 166,979	\$ 164,914	\$ 167,726	\$ 110,506	\$ 95,743	\$ 88,851	\$ 119,854	\$ 112,659
Contributions in relation to actuarially determined contribution	<u>(190,000)</u>	<u>(126,000)</u>	<u>(190,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>
Contribution deficiency (excess)	<u>\$ (70,450)</u>	<u>\$ 28,658</u>	<u>\$ (23,021)</u>	<u>\$ (86)</u>	<u>\$ 2,726</u>	<u>\$ (54,494)</u>	<u>\$ (39,257)</u>	<u>\$ (46,149)</u>	<u>\$ (15,146)</u>	<u>\$ (22,341)</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

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

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

Actuarial cost method	Entry age normal
Amortization method	Level dollar over 20 years from 7/1/13
Remaining amortization period	14 years
Asset valuation method	Market value
Cost of living increase	3.00% per year
Salary increases	N/A
Inflation	3.00% per year
Investment rate of return	6.50% (7.00% prior to July 1, 2013)
Retirement age	Upon attainment of 25 years of service
Mortality	RP 2000 Combined Healthy Mortality Table projected to the year 2020 with Scale AA

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

Year Ending June 30,	Annual Money-weighted Rate of Return
2013	15.1%
2014	16.7%
2015	7.8%
2016	1.6%
2017	11.9%
2018	6.3%
2019	8.6%
2020	2.7%
2021	20.8%
2022	-7.9%

Notes

The amounts shown are net of investment expenses.

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%	0.13%	0.15%
City's proportionate share of the net pension liability (asset)	\$ 3,929,199	\$ 3,456,145	\$ 4,621,569	\$ 5,537,010	\$ 6,569,873	\$ 7,296,124	\$ 8,777,521	\$ 9,822,019	\$ 9,382,668
City's covered employee payroll	\$ 2,534,067	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	155.06%	130.44%	170.20%	188.73%	221.95%	227.39%	257.12%	292.59%	238.62%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 319,799	\$ 364,054	\$ 346,203	\$ 364,661	\$ 373,773	\$ 464,618	\$ 553,719	\$ 647,885	\$ 758,891	\$ 983,748
Contributions relative to contractually required employer contribution	<u>319,799</u>	<u>364,054</u>	<u>346,203</u>	<u>364,661</u>	<u>373,773</u>	<u>464,618</u>	<u>553,719</u>	<u>647,885</u>	<u>758,891</u>	<u>983,748</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered employee payroll	\$ 2,534,067	\$ 2,649,591	\$ 2,715,319	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079	\$ 4,646,898
Employer contributions as a percentage of covered-employee payroll	12.62%	13.74%	12.75%	12.43%	12.63%	14.48%	16.22%	19.30%	19.30%	21.17%

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net pension liability	0.47%	0.47%	0.44%	0.47%	0.47%	0.48%	0.48%	0.46%	0.45%
City's proportionate share of the net pension liability (asset)	\$ 6,280,303	\$ 5,643,708	\$ 6,785,945	\$ 8,104,335	\$ 10,483,798	\$ 11,686,298	\$ 13,393,127	\$ 13,856,709	\$ 11,972,502
City's covered employee payroll	\$ 2,413,303	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	260.24%	236.92%	300.15%	327.07%	407.56%	434.36%	486.49%	521.61%	440.25%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 485,074	\$ 518,595	\$ 468,680	\$ 495,590	\$ 576,504	\$ 597,289	\$ 684,676	\$ 798,546	\$ 817,482	\$ 1,200,954
Contributions relative to contractually required employer contribution	<u>485,074</u>	<u>518,595</u>	<u>468,680</u>	<u>495,590</u>	<u>576,504</u>	<u>597,289</u>	<u>684,676</u>	<u>798,546</u>	<u>817,482</u>	<u>1,200,954</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered employee payroll	\$ 2,413,303	\$ 2,382,154	\$ 2,260,881	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501	\$ 3,546,882
Employer contributions as a percentage of covered-employee payroll	20.10%	21.77%	20.73%	20.00%	22.41%	22.20%	24.87%	30.06%	30.06%	33.86%

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net OPEB liability	0.11%	0.11%	0.12%	0.12%	0.13%	0.15%
City's proportionate share of the net OPEB liability (asset)	\$1,769,891	\$2,256,447	\$2,126,919	\$ 2,098,609	\$ 3,097,235	\$ 2,816,673
City's covered employee payroll	\$2,933,875	\$2,960,031	\$3,208,685	\$ 3,413,803	\$ 3,356,916	\$ 3,932,079
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	60.33%	76.23%	66.29%	61.47%	92.26%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 175,611	\$ 136,454	\$ 133,594	\$ 136,132	\$ 140,010	\$ 150,808	\$ 179,566	\$ 159,789	\$ 187,167	\$ 268,591
Contributions relative to contractually required employer contribution	<u>175,611</u>	<u>136,454</u>	<u>133,594</u>	<u>136,132</u>	<u>140,010</u>	<u>150,808</u>	<u>179,566</u>	<u>159,789</u>	<u>187,167</u>	<u>268,591</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered employee payroll	\$2,534,067	\$2,649,591	\$2,715,319	\$2,933,875	\$2,960,031	\$3,208,685	\$3,413,803	\$3,356,916	\$3,932,079	\$4,646,989
Employer contributions as a percentage of covered-employee payroll	6.93%	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	5.78%

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net OPEB liability	0.47%	0.47%	0.48%	0.48%	0.46%	0.45%
City's proportionate share of the net OPEB liability (asset)	\$ 2,314,707	\$ 3,873,748	\$ 3,445,312	\$ 3,586,537	\$ 4,248,640	\$ 3,635,318
City's covered employee payroll	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508	\$ 2,719,501
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	93.42%	150.59%	128.06%	130.28%	159.93%	133.68%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 422,328	\$ 331,834	\$ 307,028	\$ 310,630	\$ 240,513	\$ 251,561	\$ 288,323	\$ 252,900	\$ 258,897	\$ 371,352
Contributions relative to contractually required employer contribution	<u>422,328</u>	<u>331,834</u>	<u>307,028</u>	<u>310,630</u>	<u>240,513</u>	<u>251,561</u>	<u>288,323</u>	<u>252,900</u>	<u>258,897</u>	<u>371,352</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered employee payroll	\$2,413,303	\$2,382,154	\$2,260,881	\$2,477,834	\$2,572,333	\$2,690,490	\$2,753,020	\$2,656,508	\$2,719,501	\$3,546,882
Employer contributions as a percentage of covered-employee payroll	17.50%	13.93%	13.58%	12.54%	9.35%	9.35%	10.47%	9.52%	9.52%	10.47%

CITY OF DANVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

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

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – Pension – Hazardous and Nonhazardous

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

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

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

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

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

June 30, 2013 – Pension – Hazardous and Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

**CITY OF DANVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022**

	<u>Police Safety Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Hazard Mitigation Fund</u>	<u>Streetscape Fund</u>	<u>Toys For Tots Fund</u>	<u>Other Expendable Trust Fund</u>	<u>Park Nonexpendable Trust Funds</u>	<u>Cemetery Nonexpendable Trust Fund</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
ASSETS										
Cash and cash equivalents	\$ 12,568	\$ 11,291	\$ 27,912	\$ 459,826	\$ 24,463	\$ 28,846	\$ 5,355	\$ 26,303	\$ 224,109	\$ 820,673
Receivables, net	-	-	-	-	-	-	-	-	1,903	1,903
Investments	-	-	-	-	-	6,436	-	-	-	6,436
 Total assets	<u>\$ 12,568</u>	<u>\$ 11,291</u>	<u>\$ 27,912</u>	<u>\$ 459,826</u>	<u>\$ 24,463</u>	<u>\$ 35,282</u>	<u>\$ 5,355</u>	<u>\$ 26,303</u>	<u>\$ 226,012</u>	<u>\$ 829,012</u>
LIABILITIES AND FUND BALANCE										
Accounts payable	\$ 563	\$ -	\$ -	\$ 325,319	\$ -	\$ -	\$ -	\$ -	\$ 169,644	\$ 495,526
Accrued payroll and benefits	-	-	-	-	-	-	-	-	42,656	42,656
Current portion of compensated absences	-	-	-	-	-	-	-	-	597	597
 Total liabilities	<u>563</u>	<u>-</u>	<u>-</u>	<u>325,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,897</u>	<u>538,779</u>
 Fund balance, restricted	-	-	-	-	-	-	5,355	26,303	-	31,658
Fund balance, assigned	<u>12,005</u>	<u>11,291</u>	<u>27,912</u>	<u>134,507</u>	<u>24,463</u>	<u>35,282</u>	<u>-</u>	<u>-</u>	<u>13,115</u>	<u>258,575</u>
 Total fund balance	<u>12,005</u>	<u>11,291</u>	<u>27,912</u>	<u>134,507</u>	<u>24,463</u>	<u>35,282</u>	<u>5,355</u>	<u>26,303</u>	<u>13,115</u>	<u>290,233</u>
 Total liabilities and fund balance	<u>\$ 12,568</u>	<u>\$ 11,291</u>	<u>\$ 27,912</u>	<u>\$ 459,826</u>	<u>\$ 24,463</u>	<u>\$ 35,282</u>	<u>\$ 5,355</u>	<u>\$ 26,303</u>	<u>\$ 226,012</u>	<u>\$ 829,012</u>

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2022

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Funds	Park Nonexpendable Trust Fund	Cemetery Nonexpendable Trust Fund	Parks & Recreation Fund	Total
REVENUES										
Intergovernmental	\$ 2,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,725	\$ 4,979
Penalties and forfeitures	-	1,785	-	-	-	-	-	-	-	1,785
Other revenues	99	89	220	446	21,214	271	42	208	357,617	380,206
Total revenues	2,353	1,874	220	446	21,214	271	42	208	360,342	386,970
EXPENDITURES										
Public safety	3,075	2,639	-	-	-	-	-	-	-	5,714
Public services	-	-	-	-	-	-	-	-	1,168,969	1,168,969
Community services	-	-	-	-	17,232	-	-	-	-	17,232
Debt service	-	-	-	-	-	-	-	-	3,012	3,012
Capital outlay	-	-	-	545,675	-	-	-	-	584,364	1,130,039
Total expenditures	3,075	2,639	-	545,675	17,232	-	-	-	1,756,345	2,324,966
Excess (deficiency) of revenues over expenditures	(722)	(765)	220	(545,229)	3,982	271	42	208	(1,396,003)	(1,937,996)
Other financing sources										
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	59,581	59,581
Transfers from other funds	-	-	-	514,021	-	-	-	-	1,220,109	1,734,130
Total other financing sources	-	-	-	514,021	-	-	-	-	1,279,690	1,793,711
Net change in fund balance	(722)	(765)	220	(31,208)	3,982	271	42	208	(116,313)	(144,285)
Fund balance, beginning of year	12,727	12,056	27,692	165,715	20,481	35,011	5,313	26,095	129,428	434,518
Fund balance, end of year	\$ 12,005	\$ 11,291	\$ 27,912	\$ 134,507	\$ 24,463	\$ 35,282	\$ 5,355	\$ 26,303	\$ 13,115	\$ 290,233

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2022

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9,103	\$ 627,161	\$ 32,324	\$ 668,588
Accounts receivable, net	75,101	5,645	-	80,746
Investments	<u>-</u>	<u>113,848</u>	<u>-</u>	<u>113,848</u>
Total current assets	<u>84,204</u>	<u>746,654</u>	<u>32,324</u>	<u>863,182</u>
Noncurrent assets				
Capital assets				
Nondepreciable capital assets	-	54,511	76,000	130,511
Depreciable capital assets	-	184,106	528,949	713,055
Leased assets	-	39,349	-	39,349
Less accumulated depreciation and amortization	<u>-</u>	<u>(162,427)</u>	<u>(270,306)</u>	<u>(432,733)</u>
Total noncurrent assets	<u>-</u>	<u>115,539</u>	<u>334,643</u>	<u>450,182</u>
Total assets	<u>84,204</u>	<u>862,193</u>	<u>366,967</u>	<u>1,313,364</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	-	30,723	-	30,723
Deferred outflows - OPEB	<u>-</u>	<u>28,904</u>	<u>-</u>	<u>28,904</u>
Total deferred outflows of resources	<u>-</u>	<u>59,627</u>	<u>-</u>	<u>59,627</u>
Total assets and deferred outflows of resources	<u>\$ 84,204</u>	<u>\$ 921,820</u>	<u>\$ 366,967</u>	<u>\$ 1,372,991</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 99,054	\$ 7,718	\$ 3,629	\$ 110,401
Accrued payroll and benefits	-	2,396	-	2,396
Accrued interest payable	-	-	807	807
Current portion of compensated absences	-	105	-	105
Current portion of lease liability	-	12,372	-	12,372
Current portion of bonds and notes payable	<u>-</u>	<u>-</u>	<u>1,638</u>	<u>1,638</u>
Total current liabilities	<u>99,054</u>	<u>22,591</u>	<u>6,074</u>	<u>127,719</u>
Non-current liabilities				
Compensated absences, net of current portion	-	1,990	-	1,990
Lease liability, net of current portion	-	15,330	-	15,330
Bonds and notes payable, net of current portion	-	-	34,308	34,308
Net pension liability	-	130,922	-	130,922
Net OPEB liability	<u>-</u>	<u>39,303</u>	<u>-</u>	<u>39,303</u>
Total non-current liabilities	<u>-</u>	<u>187,545</u>	<u>34,308</u>	<u>221,853</u>
Total liabilities	<u>99,054</u>	<u>210,136</u>	<u>40,382</u>	<u>349,572</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	-	18,720	-	18,720
Deferred inflows - OPEB	<u>-</u>	<u>19,917</u>	<u>-</u>	<u>19,917</u>
Total deferred inflows of resources	<u>-</u>	<u>38,637</u>	<u>-</u>	<u>38,637</u>
NET POSITION				
Net investment in capital assets	-	87,837	298,697	386,534
Net position, unrestricted	<u>(14,850)</u>	<u>585,210</u>	<u>27,888</u>	<u>598,248</u>
Total net position	<u>(14,850)</u>	<u>673,047</u>	<u>326,585</u>	<u>984,782</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 84,204</u>	<u>\$ 921,820</u>	<u>\$ 366,967</u>	<u>\$ 1,372,991</u>

**CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
for the year ended June 30, 2022**

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
Operating revenues				
Fees for services	\$ 1,210,704	\$ 122,852	\$ -	\$ 1,333,556
Total operating revenues	<u>1,210,704</u>	<u>122,852</u>	<u>-</u>	<u>1,333,556</u>
Operating expenses				
Personnel	-	206,271	-	206,271
Contractual	1,202,618	102,074	27,432	1,332,124
Depreciation	-	7,031	17,969	25,000
Amorization	-	12,107	-	12,107
Other expenses	-	10,592	-	10,592
Total operating expenses	<u>1,202,618</u>	<u>338,075</u>	<u>45,401</u>	<u>1,586,094</u>
Operating income	<u>8,086</u>	<u>(215,223)</u>	<u>(45,401)</u>	<u>(252,538)</u>
Nonoperating revenues (expenses)				
Investment earnings (loss)	72	(5,115)	15	(5,028)
Interest expense	-	(2,691)	(1,057)	(3,748)
Total nonoperating revenues (expenses)	<u>72</u>	<u>(7,806)</u>	<u>(1,042)</u>	<u>(8,776)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	8,158	(223,029)	(46,443)	(261,314)
Transfers from other funds	-	150,568	41,744	192,312
Change in net position	8,158	(72,461)	(4,699)	(69,002)
Net position, beginning of year, as restated	<u>(23,008)</u>	<u>745,508</u>	<u>331,284</u>	<u>1,053,784</u>
Net position, end of year	<u>\$ (14,850)</u>	<u>\$ 673,047</u>	<u>\$ 326,585</u>	<u>\$ 984,782</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Danville, Kentucky's basic financial statements, and have issued our report thereon dated November 6, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Danville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Danville, Kentucky's Response to Findings

City of Danville, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Danville, 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.

RFH

RFH, PLLC
Lexington, Kentucky
November 6, 2023

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2022

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation Passed through the Kentucky Department of Transportation State and Community Highway Safety	20.600	PO2-625-2200000230	7/1/2021-6/30/2022	\$ -	\$ 4,521
Total U.S. Department of Transportation				\$ -	\$ 4,521
U.S. Department of Energy Passed through the Kentucky Energy and Environment Cabinet Capitalization Grants for Drinking Water State Revolving Funds	66.468	F19-042	7/1/2021-6/30/2022	\$ -	\$ 1,431,535
Total U.S. Department of Energy				\$ -	\$ 1,431,535
U.S. Department of Environmental Protection Agency Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	02D07521	7/1/2021-6/30/2022	\$ -	\$ 45,600
Total U.S. Department of Environmental Protection Agency				\$ -	\$ 45,600
Total federal awards expended				\$ -	\$ 1,481,656

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Danville, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

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



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Danville, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Danville, Kentucky's major federal programs for the year ended June 30, 2022. The City of Danville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Danville, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Danville, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Danville, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Danville, Kentucky's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Danville, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Danville, Kentucky's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Danville, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Danville, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Danville, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

RFH

RFH, PLLC
Lexington, Kentucky
November 6, 2023

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2022

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

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

Non-compliance material to financial statements noted Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

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

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

Unmodified for all major programs.

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

Major Programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as a low-risk auditee? Yes No

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2022

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2022-001 – Material Weakness – Audit Adjustments (Recurring)

Criteria:

Management of the City is responsible for establishing and maintaining effective internal controls over the financial reporting process of the City.

Condition:

During the course of our audit, we identified misstatements that were not identified by the City's internal controls over financial reporting. 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 deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed, and we consider this a material weakness.

Cause:

The City did not have properly operating internal controls in place over the monthly reconciliation process for account balances in the balance sheet and statement of net position. The following areas required audit adjustments: cash, accounts receivable, investments, inventory, capital assets, accounts payable, deferred revenue and accrued liabilities. In addition, year-end utility inventories counts were not all counted.

Effect:

Management was able to provide listings of support in some areas. However, those listings were either incomplete or not reconciled to the year-end balances. Material audit adjustments were required to fully correct balances. Management has been provided a listing of audit adjustments, and corrected reconciliations, which have been approved and posted to the City's books.

Recommendation:

We recommend that the City continue to work towards strengthening its internal controls over financial reporting throughout the year and prior to the commencement of audit work. We recommend that the City continue to enhance its internal controls over financial reporting with steps such as management review of monthly account reconciliations and listings, improved analysis of the financials compared to prior years, and improved internal communication, particularly as it relates to tracking and recording of payables, inventory and fixed assets in the financial closeout process. We recommend specifically that accounts payable be reconciled each month to the financial database. An individual other than the preparer of these reconciliations should review all reconciliations to ensure these are completed within 30 days after month end. Upon completion, the reviewer should initial and date the reconciliation.

Response:

The City of Danville has taken steps to improve internal controls over financial reporting. Prior to completion of the audit, the City has implemented processes to ensure timely inventory completion, routine review of fixed assets, and analysis and reporting of financials compared to prior years. The Finance Department will implement monthly reconciliation of accounts payable and accrued liabilities with review by the Finance Director, to help facilitate monthly/yearly close-out processes.

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2022

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

2022-002 – Material Weakness – Accounting for Cash

Criteria:

The City should have internal controls in place to ensure that bank account activity presented across multiple, separate funds is reconciled on the individual fund level.

Condition:

During the course of our audit, we identified material differences between the reconciled cash balances of the related due to/from (cash) activity listed on the fund level.

Cause:

Management properly reconciled bank account statements. However, management failed to reconcile the allocated cash balances at the fund level.

Effect:

Material audit adjustments were necessary to properly record cash balances and activity on the fund level.

Recommendation:

We recommend management enhance its internal controls over cash on a fund level, specifically in relation to bank accounts shared by multiple, separate funds. In addition, monthly reconciliations should be performed on due to/from accounts to tie out activity across funds.

Response:

The City of Danville is working on improvements to the reconciliation process of due to/from (cash) activity across multiple separate funds. While the City reconciles bank balances weekly and monthly, assignment of activity across funds within the financial accounting software was not processing correctly, and controls were lacking to detect the error. The City is putting controls in place to ensure due to/from (cash) activity is reconciled to the accurate fund level monthly. Additionally, the City identified this system issue with the City's financial accounting software wherein the due to/from (cash) activity was not populated correctly, contributing to the differences noted within the audit. The City has since transitioned to a new financial accounting system which includes new systematic controls for recording interfund transactions.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

2021-001 – Material Weakness – Audit Adjustments (Recurring)

2021-002 – Material Weakness – Financial Statements (Resolved)