

CITY OF DANVILLE
Danville, Kentucky

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
June 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules on pages 3-8 and 48-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 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 the City of Danville, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 28, 2023

City of Danville, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2021

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, 2021. 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, 2021, the City's assets (page 9) exceeded liabilities by \$18,274,545 in Governmental activities. The Net Position is more than the past fiscal year due to projects that have been completed with prior funding in the current fiscal year. Scheduled debt amortization that is presented on Government-Wide Financial Statements has begun for finished projects along with increased pension liability with new OPEB liability calculations. The Net Pension Liability for June 30, 2021 is \$23,678,728 which is higher than last fiscal year due to the change in the State of Kentucky's overall figures. Allocations for the OPEB liability is \$7,345,875.
- Unrestricted cash and investment balances for Governmental activities (page 9) as of June 30, 2021 were \$30,042,704 and current liabilities payable from unrestricted resources (i.e. excluding principal and interest on long term debt and capital leases) were \$1,462,091.
- The net position for all funds increased by \$1,508,227 (page 10). \$334,736, is attributed to the net position decrease from business-type activities and \$1,842,963 is attributed to the net position increase from governmental activities.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$3,524,937 to a total of \$33,175,375 (page 12). The primary reasons for the increase in fund balances in the governmental funds are the same as those noted above related to the increase in net assets. Of the total fund balances in the governmental funds, \$29,735,293 (page 11) is unrestricted and available for future programs and it is used to meet the reserve requirements per city ordinance but, it also includes money borrowed and invested for the build of the new central fire station.
- The City has debt and pension liabilities of \$45,342,820 in Governmental Funds and \$56,996,930 in Business-type Funds at June 30, 2021. The City did issue new debt during the fiscal year ended June 30, 2021. The 2020B general obligation bonds were issued in the amount of \$728,300, with \$285,400 allocated to the Governmental Funds and \$442,9000 allocated to Business-type Fund. Additionally, the City issued KIA loan F19-042 in the amount of \$676,385 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.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

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

The larger funds are presented on pages 11 and 12 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 66 and 67. 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 48.

Proprietary funds - The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The utilities, parking, and storm water fund are presented as major funds on pages 13 through 15. The other funds are presented in combining statements for the non-major funds on pages 68 and 69.

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

Notes to the financial statements - Notes provide additional information that are essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City's financial statements and are presented on pages 18 through 47.

Other information - This section of the report includes two types of supplementary information. *Required Supplementary Information* (pages 48 through 65) 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 70 through 71). The Schedule of Expenditures of Federal Awards (page 72) and the Independent Auditors Report on Compliance required by the Uniform Guidance with required schedule (pages 73 through 77).

Government-Wide Financial Analysis

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

Net Assets of Governmental and Business-type Activities (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 35,959	\$ 40,211	\$ 19,356	\$ 18,321	\$ 55,315	\$ 58,532
Capital assets	25,648	26,436	70,491	70,398	96,139	96,834
Total assets and deferred outflows	61,607	66,647	89,847	88,719	151,454	154,366
Long-term debt outstanding	19,501	18,801	52,674	51,132	72,175	69,933
Other liabilities	25,674	29,571	6,902	7,651	32,576	37,222
Total liabilities and deferred outflows	45,175	48,372	59,576	58,783	104,751	107,155
Net position:						
Net investment in capital assets	6,147	7,635	17,943	19,265	24,090	26,900
Restricted	3,089	3,034	3,787	4,017	6,876	7,051
Unrestricted (deficit)	7,196	7,606	8,541	6,654	15,737	14,260
Total Net Position	\$ 16,432	\$ 18,275	\$ 30,271	\$ 29,936	\$ 46,703	\$ 48,211

The City’s net position (77%) reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. This percentage is higher than the prior year due to the ongoing construction of the central fire station. The amount in restricted net position is also due to construction projects being finished. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. \$7.0 million of the City’s net position (page 9) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures including the remaining financing for on-going projects.

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

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

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program revenues:						
Charges for services	\$ -	-	\$ 11,541	\$ 11,643	\$ 11,541	\$ 11,643
Operating grants and contributions	1,595	1,042	-	-	1,595	1,042
Capital grants and contributions	329	294	154	16	483	310
General revenues:						
Property taxes	2,096	2,180	-	-	2,096	2,180
License fees and permits	13,848	15,641	-	-	13,848	15,641
Penalties and forfeits	12	27	-	-	12	27
Management fees	1,148	1,194	-	-	1,148	1,194
Other	1,108	981	-	-	1,108	981
Total Revenues	20,136	21,359	11,695	11,659	31,831	33,018

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Program Expenses:						
General Government	3,460	3,792	-	-	3,460	3,792
Public Safety	10,788	10,393	-	-	10,788	10,393
Public Services	2,009	3,447	-	-	2,009	3,447
Community Services	1,097	763	-	-	1,097	763
Debt Service	721	709	-	-	721	709
Utilities	-	-	11,213	10,223	11,213	10,223
Garbage operations	-	-	1,098	1,088	1,098	1,088
Cemetery operations	-	-	205	144	205	144
Museum operations	-	-	43	41	43	41
Parking operations	-	-	347	322	347	322
Storm water	-	-	649	574	649	574
Total Expenses	18,075	19,104	13,555	12,392	31,630	31,496
Excess (deficiency) before transfers and special items	2,061	2,255	(1,860)	(733)	201	1,522
Gain (Loss) sale	12	(13)	-	-	12	(13)
Transfers	(481)	(398)	481	398	-	-
Increase (decrease) in net assets	\$ 1,592	\$ 1,844	(\$ 1,379)	(\$335)	\$ 213	\$ 1,509

\$17.8 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 \$335 thousand. This decrease is net of depreciation expense of \$2.3 million (a non-cash item).

Financial Analysis of the Government's Funds

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

Governmental funds - Financial information for the City's governmental funds is summarized on pages 11 and 12. Governmental fund balances increased \$3.5 million. The reasons for this increase were addressed earlier in this report.

Non-major funds include Police Safety, Drug Forfeiture, Hazard Mitigation, Streetscape, Toy Program, Cemetery Trusts, 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 66 and 67.

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

Governmental Funds Budgetary Highlights

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

Capital Asset and Debt Administration

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

Capital Assets

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

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

	Governmental Activities	Business- Type Activities	Total
Land	\$ 4,734,592	\$ 1,534,850	\$ 6,269,442
Buildings	8,224,435	31,224,206	39,448,641
Improvements other than buildings	1,308,716	227,469	1,536,185
Vehicles	504,808	41,180	545,988
Equipment	2,421,334	160,854	2,582,188
Infrastructure	6,972,541	31,964,762	38,937,303
Construction in progress	2,269,325	5,244,272	7,513,597
Total	\$ 26,435,751	\$ 70,397,593	\$ 96,833,344

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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
KLC Funding Trust	\$ 3,461,484	\$	\$ 3,461,484
Series 2012 GO Bonds	3,275,000		3,275,000
Series 2014 GO Bonds (A&C)		3,240,000	3,240,000
Series 2017 GO Bonds (A&B)	1,031,494	9,653,507	10,685,001
Series 2018 GO Bonds	9,670,000		9,670,000
Series 2015 Bonds (A&B)		12,774,500	12,774,500
Series 2020 Bonds (A&B)	244,600	12,058,900	12,303,500
Series 2010 Build America Bond		517,000	517,000
KIA Loan – Water Treatment Plant		10,247,681	10,247,681
KIA Loan - Water Tower		676,385	676,385
Total	\$ <u>17,682,578</u>	\$ <u>49,167,973</u>	\$ <u>66,850,551</u>

The City's long-term debt decreased by \$1,539,082 during the fiscal year.

Economic Factors and Next Year's Budget

The City continued into fiscal year 2022 on several of the projects commenced in fiscal year 2021, including the Central Fire Station and several utility projects.

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

Contacting the City's Financial Management

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 22,619,474	\$ 11,353,144	\$ 33,972,618
Investments	7,423,230	123,797	7,547,027
Receivables, net	1,543,388	997,031	2,540,419
Inventory	-	232,916	232,916
Prepaid expenses and other current assets	3,284	-	3,284
Internal balances (net)	14,402	(14,402)	-
Total current assets	<u>31,603,778</u>	<u>12,692,486</u>	<u>44,296,264</u>
Non-current assets			
Restricted cash and cash equivalents	3,033,688	3,526,328	6,560,016
Restricted investments	-	490,693	490,693
Nondepreciable capital assets	7,003,917	6,994,735	13,998,652
Depreciable capital assets, net	19,431,834	63,402,858	82,834,692
Total non-current assets	<u>29,469,439</u>	<u>74,414,614</u>	<u>103,884,053</u>
Total assets	<u>61,073,217</u>	<u>87,107,100</u>	<u>148,180,317</u>
DEFERRED OUTFLOWS OF RESOURCES			
Defeasance on refunding	-	34,268	34,268
Deferred outflows - police and firefighters' retirement	19,093	-	19,093
Deferred outflows - pension	3,193,986	853,325	4,047,311
Deferred outflows - OPEB	2,360,559	724,329	3,084,888
Total deferred outflows of resources	<u>5,573,638</u>	<u>1,611,922</u>	<u>7,185,560</u>
Total assets and deferred outflows of resources	<u>\$ 66,646,855</u>	<u>\$ 88,719,022</u>	<u>\$ 155,365,877</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,115,741	\$ 1,054,100	\$ 2,169,841
Accrued payroll and benefits	320,184	113,658	433,842
Deposits	11,304	20,800	32,104
Current portion of compensated absences	14,862	6,853	21,715
Accrued interest payable	-	337,241	337,241
Current portion of capital leases	259,077	184,810	443,887
Current portion of bonds and notes payable	731,087	1,587,031	2,318,118
Total current liabilities	<u>2,452,255</u>	<u>3,304,493</u>	<u>5,756,748</u>
Non-current liabilities			
Bonds and notes payable, net of current portion	17,405,192	49,103,257	66,508,449
Capital leases, net of current portion	405,385	256,918	662,303
Net pension liability - CERS	19,324,055	4,354,673	23,678,728
Net pension liability - police and firefighters' retirement	948,089	-	948,089
Net OPEB liability - CERS	5,972,690	1,373,185	7,345,875
Compensated absences, net of current portion	282,383	130,203	412,586
Total non-current liabilities	<u>44,337,794</u>	<u>55,218,236</u>	<u>99,556,030</u>
Total liabilities	<u>46,790,049</u>	<u>58,522,729</u>	<u>105,312,778</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - police and firefighters' retirement	100,207	-	100,207
Deferred inflows - pension	445,894	-	445,894
Deferred inflows - OPEB	1,036,160	260,084	1,296,244
Total deferred inflows of resources	<u>1,582,261</u>	<u>260,084</u>	<u>1,842,345</u>
NET POSITION			
Net investment in capital assets	7,635,010	19,265,577	26,900,587
Restricted	3,033,688	4,017,021	7,050,709
Unrestricted	7,605,847	6,653,611	14,259,458
Total net position	<u>18,274,545</u>	<u>29,936,209</u>	<u>48,210,754</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 66,646,855</u>	<u>\$ 88,719,022</u>	<u>\$ 155,365,877</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, 2021

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	\$ 3,791,611	\$ -	\$ 517,152	\$ -	\$ (3,274,459)	\$ -	\$ (3,274,459)
Public services	3,447,427	-	217,990	294,445	(2,934,992)	-	(2,934,992)
Public safety	10,392,632	-	306,779	-	(10,085,853)	-	(10,085,853)
Community services	763,467	-	-	-	(763,467)	-	(763,467)
Interest on long-term debt	709,207	-	-	-	(709,207)	-	(709,207)
Total governmental activities	19,104,344	-	1,041,921	294,445	(17,767,978)	-	(17,767,978)
Business-type activities							
Utilities	10,222,890	9,599,733	-	16,127	-	(607,030)	(607,030)
Parking	322,353	275,817	-	-	-	(46,536)	(46,536)
Garbage	1,087,744	1,024,381	-	-	-	(63,363)	(63,363)
Cemetery	143,533	129,959	-	-	-	(13,574)	(13,574)
Museum	41,356	-	-	-	-	(41,356)	(41,356)
Storm water	573,759	613,336	-	-	-	39,577	39,577
Total business-type activities	12,391,635	11,643,226	-	16,127	-	(732,282)	(732,282)
Total primary government	\$ 31,495,979	\$ 11,643,226	\$ 1,041,921	\$ 310,572	(17,767,978)	(732,282)	(18,500,260)
General revenues							
					2,179,686	-	2,179,686
					15,640,518	-	15,640,518
					27,088	-	27,088
					1,193,885	-	1,193,885
					980,583	-	980,583
Total general revenues					20,021,760	-	20,021,760
Gain (loss) on sale of capital assets					(13,273)	-	(13,273)
Transfers in (out)					(397,546)	397,546	-
Total general revenues and transfers					19,610,941	397,546	20,008,487
Change in net position							
					1,842,963	(334,736)	1,508,227
Net position, beginning of year					16,431,582	30,270,945	46,702,527
NET POSITION, END OF YEAR							
					\$ 18,274,545	\$ 29,936,209	\$ 48,210,754

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

CITY OF DANVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Municipal Road Aid Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 24,371,313	\$ 759,881	\$ 521,968	\$ 25,653,162
Investments	7,416,838	-	6,392	7,423,230
Receivables, net	1,541,417	-	1,971	1,543,388
Prepaid expenses and other assets	3,284	-	-	3,284
Internal balances	41,975	-	-	41,975
 Total assets	 \$ 33,374,827	 \$ 759,881	 \$ 530,331	 \$ 34,665,039
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 1,051,431	\$ -	\$ 64,310	\$ 1,115,741
Accrued payroll and benefits	289,503	-	30,681	320,184
Deposits	11,304	-	-	11,304
Compensated absences	14,040	-	822	14,862
Internal balances	27,573	-	-	27,573
 Total liabilities	 1,393,851	 -	 95,813	 1,489,664
Fund balance				
Nonspendable	3,284	-	-	3,284
Restricted	2,242,399	759,881	31,408	3,033,688
Assigned	-	-	403,110	403,110
Unrestricted	29,735,293	-	-	29,735,293
 Total fund balance	 31,980,976	 759,881	 434,518	 33,175,375
 Total liabilities and fund balance	 \$ 33,374,827	 \$ 759,881	 \$ 530,331	 \$ 34,665,039
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balance reported above				\$ 33,175,375
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				26,435,751
Long-term liabilities, including bonds and notes payable, net pension/OPEB liability, capital leases, and accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds.				(45,327,958)
Net deferred inflows/outflows related to the long-term pension/OPEB liability are not reported in the funds.				3,991,377
 Net position of governmental activities				 \$ 18,274,545

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, 2021

	General Fund	Municipal Road Aid Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,179,686	\$ -	\$ -	\$ 2,179,686
Licenses and fees	15,640,518	-	-	15,640,518
Intergovernmental revenue	810,319	294,445	231,602	1,336,366
Fines and forfeitures	10,643	-	16,445	27,088
Other revenues	1,932,290	4,287	237,891	2,174,468
 Total revenues	 20,573,456	 298,732	 485,938	 21,358,126
EXPENDITURES				
Current operating				
General government	2,849,089	-	-	2,849,089
Public services	1,644,266	368,840	860,960	2,874,066
Public safety	7,113,636	-	17,921	7,131,557
Community services	741,156	-	22,311	763,467
Debt service	1,409,528	-	-	1,409,528
Capital outlay	3,260,038	70,000	143,426	3,473,464
 Total expenditures	 17,017,713	 438,840	 1,044,618	 18,501,171
 Excess (deficiency) of revenues over expenditures	 3,555,743	 (140,108)	 (558,680)	 2,856,955
Other financing sources (uses):				
Transfers (to) from other funds	(1,010,058)	(25,000)	637,512	(397,546)
Bond issuance costs	(5,400)	-	-	(5,400)
Proceeds from bonds	5,400	-	-	5,400
Proceeds from the sale of assets	1,065,528	-	-	1,065,528
 Total other financing sources (uses)	 55,470	 (25,000)	 637,512	 667,982
 Net change in fund balance	 3,611,213	 (165,108)	 78,832	 3,524,937
 Fund balance, beginning of year	 28,369,763	 924,989	 355,686	 29,650,438
 FUND BALANCE, END OF YEAR	 \$ 31,980,976	 \$ 759,881	 \$ 434,518	 \$ 33,175,375
 Reconciliation to government-wide change in net position:				
Net change in fund balances				\$ 3,524,937
add: capital outlay				3,454,118
add: debt service				1,409,528
add: debt issuance costs				5,400
add: gain on sale of capital assets				(13,273)
less: proceeds from capital leases				(5,400)
less: proceeds from the sale of assets				(1,065,528)
less: depreciation on governmental activities assets				(1,587,244)
less: interest on long-term debt				(709,207)
change in net pension liability - CERS				(2,474,142)
change in net OPEB liability - CERS				(653,678)
change in net pension liability - police & firefighters' retirement				25,707
change in long-term compensated absences				(68,255)
 Change in net position of governmental activities				 \$ 1,842,963

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
ASSETS					
Current assets					
Cash and cash equivalents	\$ 9,345,065	\$ 97,315	\$ 1,267,275	\$ 643,489	\$ 11,353,144
Investments	-	-	-	123,797	123,797
Accounts receivable, net	797,436	53,302	59,072	87,221	997,031
Inventory, at cost	232,916	-	-	-	232,916
Internal balances	26,985	-	-	588	27,573
Total current assets	<u>10,402,402</u>	<u>150,617</u>	<u>1,326,347</u>	<u>855,095</u>	<u>12,734,461</u>
Non-current assets					
Restricted cash and cash equivalents	3,526,328	-	-	-	3,526,328
Restricted investments	490,693	-	-	-	490,693
Nondepreciable capital assets	5,827,203	877,681	186,715	103,136	6,994,735
Depreciable capital assets, net	<u>55,761,539</u>	<u>5,569,427</u>	<u>1,733,969</u>	<u>337,923</u>	<u>63,402,858</u>
Total non-current assets	<u>65,605,763</u>	<u>6,447,108</u>	<u>1,920,684</u>	<u>441,059</u>	<u>74,414,614</u>
Total assets	<u>76,008,165</u>	<u>6,597,725</u>	<u>3,247,031</u>	<u>1,296,154</u>	<u>87,149,075</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deeasance on refunding	-	34,268	-	-	34,268
Deferred outflows - pension	751,613	14,242	75,343	12,127	853,325
Deferred outflows - OPEB	<u>637,992</u>	<u>12,089</u>	<u>63,954</u>	<u>10,294</u>	<u>724,329</u>
Total deferred outflows of resources	<u>1,389,605</u>	<u>60,599</u>	<u>139,297</u>	<u>22,421</u>	<u>1,611,922</u>
Total assets and deferred outflows of resources	<u>\$ 77,397,770</u>	<u>\$ 6,658,324</u>	<u>\$ 3,386,328</u>	<u>\$ 1,318,575</u>	<u>\$ 88,760,997</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 918,782	\$ 18,828	\$ 7,107	\$ 109,383	\$ 1,054,100
Accrued payroll and benefits	103,263	1,237	6,345	2,813	113,658
Deposits	20,800	-	-	-	20,800
Internal balances	-	-	41,975	-	41,975
Current portion of compensated absences	6,039	16	753	45	6,853
Current portion of capital leases	150,290	-	22,148	12,372	184,810
Accrued interest payable	321,899	11,180	3,314	848	337,241
Current portion of bonds and notes payable	<u>1,368,763</u>	<u>174,630</u>	<u>42,000</u>	<u>1,638</u>	<u>1,587,031</u>
Total current liabilities	<u>2,889,836</u>	<u>205,891</u>	<u>123,642</u>	<u>127,099</u>	<u>3,346,468</u>
Non-current liabilities					
Bonds and notes payable, net of current portion	45,358,024	3,347,306	361,900	36,027	49,103,257
Capital leases, net of current portion	202,720	-	26,697	27,501	256,918
Net pension liability - CERS	3,835,615	72,681	384,491	61,886	4,354,673
Net OPEB liability - CERS	1,209,507	22,919	121,244	19,515	1,373,185
Compensated absences, net of current portion	<u>114,739</u>	<u>298</u>	<u>14,312</u>	<u>854</u>	<u>130,203</u>
Total non-current liabilities	<u>50,720,605</u>	<u>3,443,204</u>	<u>908,644</u>	<u>145,783</u>	<u>55,218,236</u>
Total liabilities	<u>53,610,441</u>	<u>3,649,095</u>	<u>1,032,286</u>	<u>272,882</u>	<u>58,564,704</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	-	-	-	-	-
Deferred inflows - OPEB	<u>229,083</u>	<u>4,341</u>	<u>22,964</u>	<u>3,696</u>	<u>260,084</u>
Total deferred inflows of resources	<u>229,083</u>	<u>4,341</u>	<u>22,964</u>	<u>3,696</u>	<u>260,084</u>
NET POSITION					
Net investment in capital assets	14,508,945	2,925,172	1,467,939	363,521	19,265,577
Restricted	4,017,021	-	-	-	4,017,021
Unrestricted	<u>5,032,280</u>	<u>79,716</u>	<u>863,139</u>	<u>678,476</u>	<u>6,653,611</u>
Total net position	<u>23,558,246</u>	<u>3,004,888</u>	<u>2,331,078</u>	<u>1,041,997</u>	<u>29,936,209</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 77,397,770</u>	<u>\$ 6,658,324</u>	<u>\$ 3,386,328</u>	<u>\$ 1,318,575</u>	<u>\$ 88,760,997</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, 2021

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Proprietary Funds	Totals
Operating revenues					
Water sales	\$ 4,720,180	\$ -	\$ -	\$ -	\$ 4,720,180
Water surcharge	88,741	-	-	-	88,741
Sewer charges	4,455,634	-	-	-	4,455,634
Connection fees	58,425	-	-	-	58,425
Parking rental fees	-	275,817	-	-	275,817
Other fees for services	-	-	613,336	1,154,340	1,767,676
Other revenues	276,753	-	-	-	276,753
Total operating revenues	<u>9,599,733</u>	<u>275,817</u>	<u>613,336</u>	<u>1,154,340</u>	<u>11,643,226</u>
Operating expenses					
Water	4,711,268	-	-	-	4,711,268
Sewer	631,512	-	-	-	631,512
Perryville	191,539	-	-	-	191,539
Personnel	-	47,720	301,512	20,851	370,083
Contractual	-	59,628	31,141	1,200,445	1,291,214
Management fees	1,117,173	-	76,712	-	1,193,885
Depreciation	1,990,231	209,307	82,084	42,465	2,324,087
Other operating expenses	411,871	5,698	82,310	8,872	508,751
Total operating expenses	<u>9,053,594</u>	<u>322,353</u>	<u>573,759</u>	<u>1,272,633</u>	<u>11,222,339</u>
Operating income (loss)	<u>546,139</u>	<u>(46,536)</u>	<u>39,577</u>	<u>(118,293)</u>	<u>420,887</u>
Non-operating revenues (expenses)					
Grants	16,127	-	-	-	16,127
Interest expense	(1,168,482)	(102,764)	(11,483)	(5,269)	(1,287,998)
Bond issuance cost	-	-	(7,900)	-	(7,900)
Other non-operating revenues (expenses)	113,558	732	6,921	5,391	126,602
Total non-operating revenues (expenses)	<u>(1,038,797)</u>	<u>(102,032)</u>	<u>(12,462)</u>	<u>122</u>	<u>(1,153,169)</u>
Income (loss) before transfers	(492,658)	(148,568)	27,115	(118,171)	(732,282)
Transfers from other funds	-	79,118	-	318,428	397,546
Change in net position	(492,658)	(69,450)	27,115	200,257	(334,736)
Net position, beginning of year	<u>24,050,904</u>	<u>3,074,338</u>	<u>2,303,963</u>	<u>841,740</u>	<u>30,270,945</u>
NET POSITION, END OF YEAR	<u>\$ 23,558,246</u>	<u>\$ 3,004,888</u>	<u>\$ 2,331,078</u>	<u>\$ 1,041,997</u>	<u>\$ 29,936,209</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, 2021

	Utilities Fund	Parking Fund	Storm Water Fund	Other Nonmajor Totals Funds	Totals
Cash flows from operating activities					
Receipts from customers	\$ 9,860,304	\$ 279,812	\$ 613,504	\$ 1,165,604	\$ 11,919,224
Payments to suppliers	(2,979,082)	(48,985)	(116,401)	(1,206,205)	(4,350,673)
Payments to employees	(2,722,730)	(44,590)	(237,604)	(79,898)	(3,084,822)
Payments to general fund for management services	(1,117,173)	-	(76,712)	-	(1,193,885)
Net cash provided by (used in) operating activities	<u>3,041,319</u>	<u>186,237</u>	<u>182,787</u>	<u>(120,499)</u>	<u>3,289,844</u>
Cash flows from noncapital financing activities					
Receipts (payments) on interfund loans	(26,985)	-	41,975	(588)	14,402
Transfers (to) from other funds	-	79,118	-	318,428	397,546
Transfers of leased vehicles, net of lease liability	-	-	11,966	-	11,966
Other revenues	44,455	-	-	-	44,455
Net cash provided by (used in) noncapital financing activities	<u>17,470</u>	<u>79,118</u>	<u>53,941</u>	<u>317,840</u>	<u>468,369</u>
Cash flows from capital and related financing activities					
Purchase of capital assets	(2,136,178)	(14,000)	(67,000)	-	(2,217,178)
Principal paid on notes and bonds	(1,262,423)	(168,025)	(474,000)	(1,365)	(1,905,813)
Interest paid on notes and bonds	(1,321,145)	(103,672)	(16,315)	(4,969)	(1,446,101)
Bond issuance cost	-	-	(7,900)	-	(7,900)
Principal paid on capital leases	(130,198)	-	(18,521)	(9,129)	(157,848)
Proceeds from bond issuance	676,618	-	442,900	-	1,119,518
Capital grants	16,127	-	-	-	16,127
Net cash provided by (used in) capital and related financing activities	<u>(4,157,199)</u>	<u>(285,697)</u>	<u>(140,836)</u>	<u>(15,463)</u>	<u>(4,599,195)</u>
Cash flows from investing activities					
Net investment proceeds (purchases)	(4,574)	-	-	170	(4,404)
Interest and dividends	69,103	732	6,921	5,391	82,147
Net cash provided by (used in) investing activities	<u>64,529</u>	<u>732</u>	<u>6,921</u>	<u>5,561</u>	<u>77,743</u>
Net increase (decrease) in cash and cash equivalents					
	(1,033,881)	(19,610)	102,813	187,439	(763,239)
Cash and cash equivalents, beginning of year	<u>13,905,274</u>	<u>116,925</u>	<u>1,164,462</u>	<u>456,050</u>	<u>15,642,711</u>
CASH AND CASH EQUIVALENTS END 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>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 546,139	\$ (46,536)	\$ 39,577	\$ (118,293)	\$ 420,887
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,990,231	209,307	82,084	42,465	2,324,087
Net pension adjustments	(68,212)	2,807	48,977	(46,590)	(63,018)
Net OPEB adjustments	(57,172)	32	9,458	(13,301)	(60,983)
Change in assets and liabilities:					
Accounts receivable	264,371	3,995	168	11,264	279,798
Inventory	(26,759)	-	-	-	(26,759)
Accounts payable	377,180	16,341	(2,950)	3,112	393,683
Accrued expenses	12,395	184	1,448	586	14,613
Customer deposits	(3,800)	-	-	-	(3,800)
Compensated absences	6,946	107	4,025	258	11,336
Net cash provided by (used in) operating activities	<u>\$ 3,041,319</u>	<u>\$ 186,237</u>	<u>\$ 182,787</u>	<u>\$ (120,499)</u>	<u>\$ 3,289,844</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	<u>Police and Firefighter's Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 87,042
Investments	<u>887,135</u>
TOTAL ASSETS	<u><u>\$ 974,177</u></u>
NET POSITION	
Net position held in trust for pension benefits	<u>\$ 974,177</u>
TOTAL NET POSITION	<u><u>\$ 974,177</u></u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
for the year ended June 30, 2021

	<u>Police and Firefighter's Pension Fund</u>
Additions	
Employers contributions	\$ 135,000
Interest and dividends	28,376
Realized gains (loss) on investments	34,891
Unrealized gains (loss) on investments	<u>110,557</u>
 Total additions	 <u>308,824</u>
Deductions	
Benefit payments	162,390
Investment expense	<u>3,288</u>
 Total deductions	 <u>165,678</u>
 Change in net position	 <u>143,146</u>
 Net position, beginning of year	 <u>831,031</u>
 NET POSITION, END OF YEAR	 <u>\$ 974,177</u>

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 \$50,000 for an operating grant to the DBCPZC for the year ended June 30, 2021.

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 did not appropriate funds for the DBCAB for the year ended June 30, 2021.

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, 2021.

The City, in conjunction with Boyle County, had created the Danville-Boyle County Parks and Recreation Board (DBCPRB) . The board was comprised of three members from the City of Danville, three members from Boyle County, and one member appointed jointly by the City of Danville and Boyle County. During the year, the Parks & Recreation Fund was created and all activity of that organization was transferred into the City.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation, continued

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

Major Governmental Funds:

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

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

Major Proprietary Funds:

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

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

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash Deposits and Investments

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

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

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

All investments are reported at fair value.

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

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

G. Receivables and Payables

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

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

H. Inventories

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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, 2021

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 their 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, 2021

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 February 2017, the GASB issued Statement No. 84, Fiduciary Activities (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. GASB 84 is effective for the City beginning with its year ending June 30, 2021. The City’s fiduciary funds solely consist of a pension trust fund. In accordance with GASB 84, the City’s Fiduciary Fund financial statements includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

S. Management’s Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through March 28, 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, 2021, 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, 2021

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, 2021, taxes were levied November 1, 2020 and were payable by December 31, 2020. A 10% penalty was imposed on all taxes delinquent as of January 1, 2021. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2021 delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 14.30 cents per \$100 on real property, 18.40 cents per \$100 on personal property, and 20.00 cents per \$100 on motor vehicles and personal watercraft for the fiscal year ended June 30, 2021, are within permissible limits under the above legislation.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021, 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, twelve different Mutual Funds and nineteen 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, 2021, 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	\$ 41,035,059
FDIC insured	(1,256,296)
Collateral held by pledging bank	<u>(41,955,730)</u>
(Over) collateralized	\$ <u>(2,176,967)</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 49% of its investments invested in common stock of nineteen companies. The remaining investments are concentrated as follows – 11% in corporate bonds, 31% in mutual funds, 5% in alternative investments and 4% in foreign equities.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at June 30, 2021, 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	\$ 785,634	\$ 25,420	\$ 173,524	\$ 538,015	\$ 48,675
Municipal Bonds	27,318	-	27,318	-	-
Money Market Mutual Funds	6,460,979	6,460,979	-	-	-
Certificates of Deposit	<u>763,789</u>	<u>-</u>	<u>763,789</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 8,037,720</u>	<u>\$ 6,486,399</u>	<u>\$ 964,631</u>	<u>\$ 538,015</u>	<u>\$ 48,675</u>
Fiduciary Fund					
Corporate Bonds	\$ 93,944	\$ 30,338	\$ 63,606	\$ -	\$ -
Mutual Funds	278,602	278,602	-	-	-
Foreign Equities	31,552	31,552	-	-	-
Alternative Investments	44,382	44,382	-	-	-
Domestic Equities	<u>438,655</u>	<u>438,655</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 887,135</u>	<u>\$ 823,529</u>	<u>\$ 63,606</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, 2021:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Primary Government				
U.S. Agencies	\$ 785,634	\$ 785,634	\$ -	\$ -
Municipal bonds	27,318	-	27,318	-
Money market mutual funds	6,460,979	6,460,979	-	-
Certificates of Deposit	<u>763,789</u>	<u>763,789</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,037,720</u>	<u>\$ 8,010,402</u>	<u>\$ 27,318</u>	<u>\$ -</u>
Fiduciary Funds				
Corporate Bonds	\$ 93,944	\$ -	\$ 93,944	\$ -
Mutual Funds	278,602	278,602	-	-
Foreign Equities	31,552	31,552	-	-
Alternative Investments	44,382	-	44,382	-
Domestic Equities	<u>438,655</u>	<u>438,655</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 887,135</u>	<u>\$ 748,809</u>	<u>\$ 138,326</u>	<u>\$ -</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. RECEIVABLES

Receivables at June 30, 2021, are as follows:

	General Fund	MRA Fund	Nonmajor Funds	Governmental Funds Total
Governmental funds:				
Taxes	\$ 43,969	\$ -	\$ -	\$ 43,969
Licenses and fees	1,275,904	-	-	1,275,904
Intergovernmental	153,769	-	1,971	155,740
Fines and forfeitures	6,576	-	-	6,576
Other revenues	<u>61,199</u>	<u>-</u>	<u>-</u>	<u>61,199</u>
Gross receivables	1,541,417	-	1,971	1,543,388
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 1,541,417</u>	<u>\$ -</u>	<u>\$ 1,971</u>	<u>\$ 1,543,388</u>

	Utilities Fund	Parking Fund	Storm Water Fund	Nonmajor Funds	Proprietary Funds Total
Proprietary funds:					
Customers	\$ 1,635,626	\$ 57,801	\$ 167,652	\$ 203,418	\$ 2,064,497
Intergovernmental	<u>39,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,224</u>
Customers	1,674,850	57,801	167,652	203,418	2,103,721
Intergovernmental	<u>(877,414)</u>	<u>(4,499)</u>	<u>(108,580)</u>	<u>(116,197)</u>	<u>(1,106,690)</u>
Net receivables	<u>\$ 797,436</u>	<u>\$ 53,302</u>	<u>\$ 59,072</u>	<u>\$ 87,221</u>	<u>\$ 997,031</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,533,781	\$ 1,266,179	\$ (1,065,368)	\$ 4,734,592
Construction in progress	<u>744,467</u>	<u>1,524,858</u>	<u>-</u>	<u>2,269,325</u>
Total	<u>5,278,248</u>	<u>2,791,037</u>	<u>(1,065,368)</u>	<u>7,003,917</u>
Capital assets being depreciated:				
Land improvements	2,197,558	-	-	2,197,558
Buildings	11,994,393	510,398	-	12,504,791
Vehicles	5,067,702	26,643	(26,867)	5,067,478
Equipment	<u>5,593,537</u>	<u>56,041</u>	<u>-</u>	<u>5,649,578</u>
Total	<u>24,853,190</u>	<u>566,439</u>	<u>(26,867)</u>	<u>25,419,405</u>
Total non-infrastructure assets	<u>30,131,438</u>	<u>3,384,119</u>	<u>(224)</u>	<u>32,423,322</u>
Infrastructure assets	<u>88,694,718</u>	<u>70,000</u>	<u>-</u>	<u>88,764,718</u>
Total capital assets	<u>\$118,826,156</u>	<u>\$ 3,454,119</u>	<u>\$ (1,092,235)</u>	<u>\$121,188,040</u>
Accumulated depreciation:				
Land improvements	830,049	58,793	-	888,842
Buildings	3,991,150	289,206	-	4,280,356
Vehicles	4,158,314	417,791	(13,435)	4,562,670
Equipment	2,761,907	466,337	-	3,228,244
Infrastructure	<u>81,437,060</u>	<u>355,117</u>	<u>-</u>	<u>81,792,177</u>
Total	<u>93,178,480</u>	<u>1,587,244</u>	<u>(13,435)</u>	<u>94,752,289</u>
Total capital assets, net	<u>\$ 25,647,676</u>	<u>\$ 1,866,875</u>	<u>\$ (1,078,800)</u>	<u>\$ 26,435,751</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,534,850	\$ -	\$ -	\$ 1,534,850
Construction in progress	<u>3,143,336</u>	<u>2,136,180</u>	<u>(35,244)</u>	<u>5,244,272</u>
Total	<u>4,678,186</u>	<u>2,136,180</u>	<u>(35,244)</u>	<u>6,779,122</u>
Capital assets being depreciated:				
Buildings	36,827,381	-	-	36,827,381
Improvements	456,683	14,000	-	470,683
Vehicles	1,568,968	-	-	1,568,968
Equipment	1,755,555	-	-	1,755,555
Infrastructure	<u>62,044,447</u>	<u>102,242</u>	<u>-</u>	<u>62,146,689</u>
Total	<u>102,653,034</u>	<u>116,242</u>	<u>-</u>	<u>102,769,276</u>
Total capital assets	<u>107,331,220</u>	<u>2,252,422</u>	<u>(35,244)</u>	<u>109,548,398</u>
Accumulated depreciation:				
Buildings	4,692,772	910,403	-	5,603,175
Improvements	226,722	16,492	-	243,214
Vehicles	1,331,513	196,275	-	1,527,788
Equipment	1,534,993	59,708	-	1,594,701
Infrastructure	<u>29,040,718</u>	<u>1,141,209</u>	<u>-</u>	<u>30,181,927</u>
Total	<u>36,826,718</u>	<u>2,324,087</u>	<u>-</u>	<u>39,150,805</u>
Total capital assets, net	<u>\$ 70,504,502</u>	<u>\$ (71,665)</u>	<u>\$ (35,244)</u>	<u>\$ 70,937,593</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 539,907
Public services	357,456
Public safety	<u>689,881</u>
 Total depreciation expense	 <u>\$ 1,587,244</u>

Depreciation expense was charged to the proprietary functions as follows:

Utilities	\$ 1,990,231
Cemetery	25,645
Museum	16,820
Parking	209,307
Storm Water	<u>82,084</u>
 Total depreciation expense	 <u>\$ 2,324,087</u>

6. DEFINED BENEFIT PENSION PLANS

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

A. Police and Firefighters' Retirement Fund (PFRF)

1 - Plan Description and Provisions

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

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

Plan Members	Employees
Retirees	8
Active	0

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

1 - Plan Description and Provisions, continued

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

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

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

2 – Measurement Focus and Basis of Accounting

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

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

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

3 – Investments

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

4 – Net Pension Liability

The components of the net pension liability at June 30, 2021, were as follows:

Total pension liability	\$ 1,922,266
Less: Plan fiduciary net position	<u>974,177</u>
Net position liability	<u>\$ 948,089</u>
Plan fiduciary net position as a percentage of total pension liability	49.11%

Actuarial Assumptions – The total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions:

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

	Discount Rate	Net Pension Liability (Asset)
1% decrease	5.50%	\$ 1,116,636
Current discount rate	6.50%	\$ 948,089
1% increase	7.50%	\$ 802,312

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, 2021, the City made a contribution of \$135,000.

6 – Pension Expense and Deferred Outflows/Inflows

For the year ended June 30, 2021, the City recognized pension expense of \$109,293. At June 30, 2021, 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	\$ <u>19,093</u>	\$ <u>100,207</u>

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

Year ending June 30,

2022	\$	(20,094)
2023	\$	(20,412)
2024	\$	(17,175)
2025	\$	(23,433)

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Commonwealth of Kentucky County Employees' Retirement System

The City of Danville is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky 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, 2021, 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, 2021, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky 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, 2021, the City contributed \$758,891, or 100% of the required contribution for non-hazardous job classifications, and \$817,482, 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, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 23,678,728</u>	<u>\$ 9,822,019</u>	<u>\$ 13,856,709</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020, was as follows:

Non-hazardous	Hazardous
.128%	.460%

The proportionate share at June 30, 2020 increased .003% for non-hazardous and decreased .025% for hazardous compared to the proportionate share as of June 30, 2019.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

For the year ended June 30, 2021, the City recognized pension expense of \$3,977,679. At June 30, 2021, 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	\$ 674,680	\$ -
Changes of assumptions	909,057	-
Net difference between projected and actual earnings on Plan investments	557,943	-
Changes in proportion and differences between City contributions and proportionate share of contributions	373,996	445,894
City contributions subsequent to the measurement date	<u>1,531,635</u>	<u>-</u>
Total	<u>\$ 4,047,311</u>	<u>\$ 445,894</u>

The \$1,531,635 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, 2022. Contributions exclude \$44,739 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,

2022	\$ 1,089,545
2023	\$ 571,354
2024	\$ 208,779
2025	\$ 200,104

Actuarial Assumptions – The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

Hazardous

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 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.

The actuarial assumptions used in the June 30, 2019 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, 2019) to the plan's fiscal year ending June 30, 2020.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

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.

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%	\$ 12,112,687	5.25%	\$ 17,124,919
Current discount rate	6.25%	\$ 9,822,019	6.25%	\$ 13,856,709
1% increase	7.25%	\$ 7,925,259	7.25%	\$ 11,188,986

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$216,828 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, the City of Danville participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 6, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2021, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, the City contributed \$187,167, or 100% of the required contribution for non-hazardous job classifications, and \$258,897, or 100% of the required contribution for hazardous job classifications.

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

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

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

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
\$ <u>7,345,875</u>	\$ <u>3,097,235</u>	\$ <u>4,248,640</u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 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, 2020 was as follows:

Non-hazardous	Hazardous
.128%	.460%

The proportionate share at June 30, 2020 increased .003% for non-hazardous and decreased .025% for hazardous compared to the proportionate share as of June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,157,625. At June 30, 2021, 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	\$ 663,279	\$ 942,160
Changes of assumptions	1,231,851	7,191
Net difference between projected and actual earnings on Plan investments	480,743	189,202
Changes in proportion and differences between City contributions and proportionate share of contributions	178,777	157,691
City contributions subsequent to the measurement date	<u>530,238</u>	<u>-</u>
Total	<u>\$ 3,084,888</u>	<u>\$ 1,296,244</u>

The \$530,238 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, 2022. Contributions exclude \$11,803 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$95,978 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,

2022	\$	368,259
2023	\$	286,260
2024	\$	304,367
2025	\$	271,553
2026	\$	27,967

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous and Hazardous

Inflation	2.30%
Salary increases	3.30%-10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
	Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 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, 2019 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, 2019) to the plan's fiscal year ending June 30, 2020.

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	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. 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	4.34%	\$ 3,979,036	4.30%	\$ 5,767,418
Current discount rate	5.34%	\$ 3,097,235	5.30%	\$ 4,248,640
1% increase	6.34%	\$ 2,372,980	6.30%	\$ 3,024,813

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

	Non-hazardous	Hazardous
	City’s proportionate share of net OPEB liability	City’s proportionate share of net OPEB liability
1% decrease	\$ 2,398,033	\$ 3,036,203
Current discount rate	\$ 3,097,235	\$ 4,248,640
1% increase	\$ 3,945,730	\$ 5,739,227

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, 2021

8. LONG-TERM DEBT

The following is a summary of changes in governmental long-term debt of the City for the year ended June 30, 2021:

Description	Balance June 30, 2020	Issued	Retired	Balance June 30, 2021	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	\$ 3,599,064	\$ -	\$ 137,580	\$ 3,461,484	\$ 143,255
KBC capital lease with interest at 1.00% to 4.00% maturing in fiscal year 2030	280,000	-	280,000	-	-
Series 2012 GO with interest at 1.00% to 3.25% maturing in fiscal year 2038	3,430,000	-	155,000	3,275,000	160,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	1,072,104	-	40,610	1,031,494	48,732
Series 2018 GO with interest at 3.60% to 4.00% maturing in fiscal year 2039	9,790,000	-	120,000	9,670,000	340,000
Series 2020B GO with interest at 1.64% maturing in fiscal year 2027	-	285,400	40,800	244,600	39,100
Premiums/(Discounts)	<u>474,322</u>	<u>-</u>	<u>20,621</u>	<u>453,701</u>	<u>-</u>
Total bonds and notes payable	<u>18,645,490</u>	<u>285,400</u>	<u>794,611</u>	<u>18,136,279</u>	<u>731,087</u>
Compensated absences	245,165	52,080	-	297,245	14,862
Capital leases	855,570	28,541	219,649	664,462	259,077
Net pension liability - CERS	17,620,521	1,703,534	-	19,324,055	-
Net OPEB liability - CERS	4,597,260	1,375,430	-	5,972,690	-
Net pension liability – Police and Firefighters' retirement	<u>1,063,153</u>	<u>-</u>	<u>115,064</u>	<u>948,089</u>	<u>-</u>
Total governmental activities	<u>\$ 43,027,159</u>	<u>\$ 3,444,985</u>	<u>\$ 1,129,324</u>	<u>\$ 45,342,820</u>	<u>\$ 1,005,026</u>

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

Year ended	Principal	Interest	Total
2022	\$ 731,087	\$ 638,286	\$ 1,369,373
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
2027-2031	4,578,955	2,144,974	6,723,929
2032-2036	5,623,593	1,199,271	6,822,864
2037-2039	3,537,264	201,211	3,738,475
Premiums	<u>453,700</u>	<u>-</u>	<u>453,700.00</u>
	<u>\$ 18,136,279</u>	<u>\$ 6,459,984</u>	<u>\$ 24,596,263</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. 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, 2021:

Description	Balance June 30, 2020	Issued	Retired	Balance June 30, 2021	Due within One year
<u>Business-type Activities</u>					
<u>Utility Fund</u>					
Series 2010 with interest at 3.00% maturing in fiscal year 2050	\$ 527,500	\$ -	\$ 10,500	\$ 517,000	\$ 11,000
KIA note payable with interest at 1.75% matures in 20 years. Principal payments commence after project completion.	10,779,104	-	531,423	10,247,681	540,763
Series 2014A GO with interest at 3.00% to 3.75% maturing in fiscal year 2035	2,435,000	-	140,000	2,295,000	145,000
Series 2014A with interest at 3.00% maturing in fiscal year 2021	255,000	-	255,000	-	-
Series 2015A with interest at 2.875% maturing in fiscal year 2055	8,225,000	-	133,000	8,092,000	137,000
Series 2015B with interest at 2.25% maturing in fiscal year 2055	4,765,000	-	82,500	4,682,500	85,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	7,115,000	-	15,000	7,100,000	280,000
Series 2020 with interest at 2.00% to 5.00% maturing in fiscal year 2045	12,050,000	-	95,000	11,955,000	170,000
KIA loan #F19-042 with interest at 2.00% maturing in fiscal year 2042	-	676,385	-	676,385	-
Premiums/(Discounts)	<u>1,237,874</u>	<u>-</u>	<u>76,998</u>	<u>1,160,876</u>	<u>-</u>
Total Utility Fund	<u>47,389,478</u>	<u>\$ 676,385</u>	<u>\$ 1,339,076</u>	<u>\$ 46,726,787</u>	<u>\$ 1,368,763</u>
<u>Storm Water Fund</u>					
KBC 2010 Series A Revenue Bonds with interest at 1.00% to 4.00% maturing in fiscal year 2030	435,000	-	435,000	-	-
Series 2020B GO with interest at 1.64% maturing in fiscal year 2030	<u>-</u>	<u>442,900</u>	<u>39,000</u>	<u>403,900</u>	<u>42,000</u>
Total Storm Water Fund	<u>435,000</u>	<u>442,900</u>	<u>474,000</u>	<u>403,900</u>	<u>42,000</u>
<u>Parking Fund</u>					
Series 2014C GO with interest at 2.50% to 3.86% maturing in fiscal year 2036	990,000	-	45,000	945,000	45,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	211,861	-	8,025	203,836	9,630
Series 2017B GO with interest at 2.00% to 3.00% maturing in fiscal year 2036	2,430,000	-	115,000	2,315,000	120,000
Premiums/(Discounts)	<u>61,150</u>	<u>-</u>	<u>3,050</u>	<u>58,100</u>	<u>-</u>
Total Parking Fund	<u>\$ 3,693,011</u>	<u>\$ -</u>	<u>\$ 171,075</u>	<u>\$ 3,521,936</u>	<u>\$ 174,630</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. LONG-TERM DEBT (CONTINUED)

Description	Balance June 30, 2020	Issued	Retired	Balance June 30, 2021	Due within One year
<u>Business-type Activities</u>					
<i>Museum Fund</i>					
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	36,036	-	1,365	34,671	1,638
Premiums/(Discounts)	<u>2,994</u>	-	-	<u>2,994</u>	-
Total Museum Fund	<u>39,030</u>	-	<u>1,365</u>	<u>37,665</u>	<u>1,638</u>
Total bonds and notes payable	<u>51,556,519</u>	<u>1,119,285</u>	<u>1,985,516</u>	<u>50,690,288</u>	<u>1,587,031</u>
Compensated absences	125,720	11,336	-	137,056	6,853
Capital leases	574,176	-	132,448	441,728	184,810
Net pension liability - CERS	4,550,127	-	195,454	4,354,673	-
Net OPEB liability - CERS	<u>1,087,886</u>	<u>285,299</u>	-	<u>1,373,185</u>	-
Total business-type activities	<u>\$ 57,894,428</u>	<u>\$ 1,415,920</u>	<u>\$ 2,313,418</u>	<u>\$ 56,996,930</u>	<u>\$ 1,778,694</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, 2021 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the various funds. At June 30, 2021, 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
2022	\$ 1,587,031	\$ 1,271,729	\$ 2,858,760
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
2027-2031	9,771,180	4,540,725	14,311,905
2032-2036	10,909,996	3,234,006	14,144,002
2037-2041	8,223,371	2,003,943	10,227,314
2042-2046	6,633,000	1,097,782	7,730,782
2047-2051	2,561,000	504,817	3,065,817
2052-2055	2,245,500	151,144	2,396,644
Deferred (KIA loan)	676,385	-	676,385
Premiums	<u>1,222,208</u>	-	<u>1,222,208</u>
	<u>\$ 50,690,288</u>	<u>\$ 17,391,824</u>	<u>\$ 68,082,112</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

9. CONDUIT DEBT OBLIGATIONS

The City occasionally issues Industrial Revenue Bonds to assist local private sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of the City or a pledge of faith and credit of the City. Accordingly, the bonds and related assets are not included in the City's financial statements. The amount of bonds outstanding at June 30, 2021, is not readily available.

10. CONTINGENT LIABILITIES

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

11. RISK MANAGEMENT

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

The City has established a Health Self-Insurance Plan. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$50,000 of a participant's medical claim are payable by the Health Self-Insurance Plan. The City purchases insurance for claims in excess of coverage provided by the fund. All funds with employees of the city participate in the program and makes payments to the health fund based on estimates of the amount needed to pay current year claims. Claims totaling \$175,892 have been included in accounts payable at June 30, 2021, based on claims incurred and settled after year end. A liability for incurred but not reported claims as of June 30, 2021, 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.

The City paid \$118,950 in conjunction to a lawsuit filed by a former employee on December 19, 2022. The lawsuit was filed in January 2021, and therefore this amount has been accrued and expensed as of June 30, 2021.

12. TRANSFER OF FUNDS

Transfers between funds consisted of the following for the fiscal year ended June 30, 2021:

Type	From fund	To fund	Purpose	Amount
Operating	Municipal Road Aid	General	Street repairs	\$ 25,000
Operating	General	Parks & Recreation	Transfer of activity	637,512
Operating	General	Museum	Operating expense	26,105
Operating	General	Cemetery	Operating expense	243,083
Operating	General	Garbage	Operating expense	49,240
Operating	General	Parking	Operating expense	<u>79,118</u>
				<u>\$ 1,060,058</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

13. CAPITAL LEASE OBLIGATIONS

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

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

	Initial Lease Value	Balance June 30, 2021
General fund	\$ 1,157,217	\$ 664,462
Utility fund	779,483	353,010
Storm water fund	107,978	48,845
Cemetery fund	<u>56,173</u>	<u>39,873</u>
Total capital lease obligation	<u>\$ 2,100,851</u>	<u>\$ 1,106,190</u>

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

Year Ended	Principal	Interest	Total
2022	\$ 259,077	\$ 8,426	\$ 267,503
2023	189,588	6,639	196,227
2024	194,058	3,994	198,052
2025	19,412	364	19,776
2026	<u>2,327</u>	<u>5,046</u>	<u>7,373</u>
Total	<u>\$ 664,462</u>	<u>\$ 24,469</u>	<u>\$ 688,931</u>

Business-type activities annual obligation requirements to maturity for all capital leases are as follows:

Year Ended	Principal	Interest	Total
2022	\$ 184,810	\$ 7,093	\$ 191,903
2023	197,702	3,353	201,055
2024	56,458	1,141	57,598
2025	<u>2,758</u>	<u>1,494</u>	<u>4,252</u>
Total	<u>\$ 441,728</u>	<u>\$ 13,081</u>	<u>\$ 454,808</u>

14. COVID-19 PANDEMIC

Since 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event..

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, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,944,500	\$ 1,944,500	\$ 2,179,686	\$ 235,186
Licenses and fees	11,001,600	11,001,600	15,640,518	4,638,918
Intergovernmental revenue	274,550	274,550	810,319	535,769
Penalties and forfeitures	8,000	8,000	10,643	2,643
Other revenue	<u>1,909,235</u>	<u>1,909,235</u>	<u>1,932,290</u>	<u>23,055</u>
Total revenues	<u>15,137,885</u>	<u>15,137,885</u>	<u>20,573,456</u>	<u>5,435,571</u>
Expenditures				
Current operating				
General government	2,800,137	2,800,137	2,849,089	(48,952)
Public services	1,679,589	1,679,589	1,644,266	35,323
Public safety	8,787,058	8,787,058	7,113,636	1,673,422
Community services	790,934	790,934	741,156	49,778
Debt service	1,410,181	1,410,181	1,409,528	653
Capital outlay	<u>8,180,860</u>	<u>8,180,860</u>	<u>3,260,038</u>	<u>4,920,822</u>
Total expenditures	<u>23,648,759</u>	<u>23,648,759</u>	<u>17,017,713</u>	<u>6,631,046</u>
Excess (deficiency) of revenues over expenditures	(8,510,874)	(8,510,874)	3,555,743	12,066,617
Other financing sources (uses)				
Proceeds from the sale of assets	-	-	1,065,528	1,065,528
Proceeds from bonds	-	-	5,400	5,400
Bond issuance costs	-	-	(5,400)	(5,400)
Transfers (to) from other funds	<u>(1,363,432)</u>	<u>(1,363,432)</u>	<u>(1,010,058)</u>	<u>353,374</u>
Total other financing sources (uses)	(1,363,432)	(1,363,432)	55,470	1,418,902
Excess (deficiency) of revenues over expenditures and transfers	(9,874,306)	(9,874,306)	3,611,213	13,485,519
Fund balance, beginning of year	<u>28,369,763</u>	<u>28,369,763</u>	<u>28,369,763</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,495,457</u>	<u>\$ 18,495,457</u>	<u>\$ 31,980,976</u>	<u>\$ 13,485,519</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes				
Real and personal property	\$ 1,470,000	\$ 1,470,000	\$ 1,558,901	\$ 88,901
Tangible property	256,000	256,000	423,810	167,810
Motor vehicle	170,000	170,000	146,808	(23,192)
PILOT - Housing Authority	48,500	48,500	50,167	1,667
Total taxes	<u>1,944,500</u>	<u>1,944,500</u>	<u>2,179,686</u>	<u>235,186</u>
Licenses and fees				
Payroll licenses	13,100	13,100	57,572	44,472
Insurance licenses	2,425,000	2,425,000	2,863,406	438,406
Occupational licenses	6,000,000	6,000,000	9,465,678	3,465,678
Net profits	840,000	840,000	1,397,687	557,687
Liquor licenses	600,000	600,000	678,868	78,868
Franchise fees-Rural Electric Cooperative Corporation	24,500	24,500	23,848	(652)
Franchise fees-Kentucky Utilities	810,000	810,000	816,717	6,717
Franchise fees-Atmos	85,000	85,000	97,588	12,588
Franchise fees-Comcast	107,000	107,000	102,032	(4,968)
Franchise fees-Bank	97,000	97,000	137,122	40,122
Total licenses and fees	<u>11,001,600</u>	<u>11,001,600</u>	<u>15,640,518</u>	<u>4,638,918</u>
Intergovernmental revenue				
Firefighters' incentive	100,000	100,000	124,298	24,298
Law enforcement incentive	140,000	140,000	155,512	15,512
BASE court	18,000	18,000	13,357	(4,643)
Other intergovernmental revenue	16,550	16,550	517,152	500,602
Total intergovernmental revenue	<u>274,550</u>	<u>274,550</u>	<u>810,319</u>	<u>535,769</u>
Fines and forfeitures				
Arrest fees	5,000	5,000	4,757	(243)
Other penalties	3,000	3,000	5,886	2,886
Total fines and forfeitures	<u>8,000</u>	<u>8,000</u>	<u>10,643</u>	<u>2,643</u>
Other revenue				
Community tower rental	61,400	61,400	55,199	(6,201)
Fire protection	26,000	26,000	26,752	752
Community contracts	188,250	188,250	144,511	(43,739)
Management fees	1,193,885	1,193,885	1,193,885	(0)
Change in fair value of investments	500	500	(14,628)	(15,128)
Interest	100,000	100,000	160,752	60,752
E-911	245,000	245,000	186,975	(58,025)
Insurance proceeds	5,000	5,000	601	(4,399)
School officer	37,500	37,500	19,076	(18,424)
Miscellaneous	51,700	51,700	159,167	107,467
Total other revenue	<u>1,909,235</u>	<u>1,909,235</u>	<u>1,932,290</u>	<u>23,055</u>
Total revenue	<u>\$ 15,137,885</u>	<u>\$ 15,137,885</u>	<u>\$ 20,573,456</u>	<u>\$ 5,435,571</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government				
Legislative and executive				
Personnel	\$ 892,018	\$ 892,018	\$ 853,821	\$ 38,197
Contractual	332,150	332,150	485,809	(153,659)
Other	<u>114,050</u>	<u>114,050</u>	<u>44,444</u>	<u>69,606</u>
Total legislative and executive	<u>1,338,218</u>	<u>1,338,218</u>	<u>1,384,074</u>	<u>(45,856)</u>
Finance and administration				
Personnel	574,793	574,793	563,604	11,189
Contractual	430,235	430,235	477,909	(47,674)
Other	<u>29,250</u>	<u>29,250</u>	<u>25,284</u>	<u>3,966</u>
Total finance and administration	<u>1,034,278</u>	<u>1,034,278</u>	<u>1,066,797</u>	<u>(32,519)</u>
Information technology				
Personnel	290,591	290,591	292,563	(1,972)
Contractual	86,500	86,500	75,393	11,107
Other	<u>50,550</u>	<u>50,550</u>	<u>30,262</u>	<u>20,288</u>
Total information technology	<u>427,641</u>	<u>427,641</u>	<u>398,218</u>	<u>29,423</u>
Total general government	<u>2,800,137</u>	<u>2,800,137</u>	<u>2,849,089</u>	<u>(48,952)</u>
Public services				
Personnel	510,199	510,199	421,078	89,121
Contractual	880,290	880,290	926,816	(46,526)
Other	<u>289,100</u>	<u>289,100</u>	<u>296,372</u>	<u>(7,272)</u>
Total public services	<u>1,679,589</u>	<u>1,679,589</u>	<u>1,644,266</u>	<u>35,323</u>
Public safety				
Police department				
Personnel	3,702,070	3,702,070	2,883,525	818,545
Contractual	206,935	206,935	246,941	(40,006)
Other	<u>271,000</u>	<u>271,000</u>	<u>208,920</u>	<u>62,080</u>
Total police department	<u>4,180,005</u>	<u>4,180,005</u>	<u>3,339,386</u>	<u>840,619</u>
Communications and administration services				
Personnel	985,276	985,276	789,039	196,237
Contractual	84,160	84,160	121,106	(36,946)
Other	<u>51,650</u>	<u>51,650</u>	<u>11,020</u>	<u>40,630</u>
Total communications and administration services	<u>1,121,086</u>	<u>1,121,086</u>	<u>921,165</u>	<u>199,921</u>
Code enforcement				
Personnel	334,742	334,742	309,634	25,108
Contractual	51,655	51,655	42,997	8,658
Other	<u>18,700</u>	<u>18,700</u>	<u>4,961</u>	<u>13,739</u>
Total code enforcement	<u>405,097</u>	<u>405,097</u>	<u>357,592</u>	<u>47,505</u>

CITY OF DANVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety, continued				
Fire and emergency services				
Personnel	\$ 2,733,220	\$ 2,733,220	\$ 2,222,223	\$ 510,997
Contractual	180,950	180,950	130,400	50,550
Other	<u>166,700</u>	<u>166,700</u>	<u>142,870</u>	<u>23,830</u>
Total fire and emergency services	<u>3,080,870</u>	<u>3,080,870</u>	<u>2,495,493</u>	<u>585,377</u>
Total public safety	<u>8,787,058</u>	<u>8,787,058</u>	<u>7,113,636</u>	<u>1,673,422</u>
Community services				
Community agencies				
Grants	<u>77,140</u>	<u>77,140</u>	<u>108,640</u>	<u>(31,500)</u>
Non-departmental				
Grants	241,000	241,000	233,386	7,614
Police and fire retirement	135,000	135,000	135,000	-
Economic development initiative	80,000	80,000	74,184	5,816
Contingency - general fund	192,794	192,794	(14,537)	207,331
Insurance/judgement/claims	50,000	50,000	190,202	(140,202)
Workers' comp audit	<u>15,000</u>	<u>15,000</u>	<u>14,281</u>	<u>719</u>
Total non-departmental	<u>713,794</u>	<u>713,794</u>	<u>632,516</u>	<u>81,278</u>
Total community services	<u>790,934</u>	<u>790,934</u>	<u>741,156</u>	<u>49,778</u>
Debt service				
Other	<u>1,410,181</u>	<u>1,410,181</u>	<u>1,409,528</u>	<u>653</u>
Total debt service	<u>1,410,181</u>	<u>1,410,181</u>	<u>1,409,528</u>	<u>653</u>
Capital outlay				
Finance and administration	313,000	313,000	1,237,700	(924,700)
Fire department	7,000,000	7,000,000	1,464,702	5,535,298
Public services	702,860	702,860	510,398	192,462
Police department	<u>165,000</u>	<u>165,000</u>	<u>47,238</u>	<u>117,762</u>
Total capital outlay	<u>8,180,860</u>	<u>8,180,860</u>	<u>3,260,038</u>	<u>4,920,822</u>
Total expenditures	<u>23,648,759</u>	<u>23,648,759</u>	<u>17,017,713</u>	<u>6,631,046</u>
Excess (deficiency) of revenues over expenditures	(8,510,874)	(8,510,874)	3,555,743	12,066,617
Other financing sources (uses)				
Proceeds from the sale of assets	-	-	1,065,528	1,065,528
Proceeds from bonds	-	-	5,400	5,400
Bond issuance costs	-	-	(5,400)	(5,400)
Transfers	<u>(1,363,432)</u>	<u>(1,363,432)</u>	<u>(1,010,058)</u>	<u>353,374</u>
Total other financing sources (uses)	<u>(1,363,432)</u>	<u>(1,363,432)</u>	<u>55,470</u>	<u>1,418,902</u>
Net change in fund balance	<u>\$ (9,874,306)</u>	<u>\$ (9,874,306)</u>	<u>\$ 3,611,213</u>	<u>\$ 13,485,519</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, 2021**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental revenue	\$ 304,000	\$ 304,000	\$ 294,445	\$ (9,555)
Other revenue	<u>3,500</u>	<u>3,500</u>	<u>4,287</u>	<u>787</u>
Total revenues	<u>307,500</u>	<u>307,500</u>	<u>298,732</u>	<u>(8,768)</u>
Expenditures				
Current operating				
Public services	500,000	500,000	368,840	131,160
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>70,000</u>	<u>55,000</u>
Total expenditures	<u>625,000</u>	<u>625,000</u>	<u>438,840</u>	<u>186,160</u>
Excess (deficiency) of revenues over expenditures	(317,500)	(317,500)	(140,108)	177,392
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	(292,500)	(292,500)	(165,108)	127,392
Fund balance, beginning of year	<u>924,989</u>	<u>924,989</u>	<u>924,989</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 632,489</u>	<u>\$ 632,489</u>	<u>\$ 759,881</u>	<u>\$ 127,392</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**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	149,296	138,175	158,934	164,512	160,061	154,676	116,353	106,898	102,775	118,098
Difference between expected and actual experience	(90,888)	82,379	87,635	12,075	(8,253)	(540,591)	(88,390)	(7,251)	78,610	72,380
Changes in assumptions	-	475,464	93,992	-	-	-	-	-	212,836	-
Benefit payments	<u>(203,960)</u>	<u>(230,609)</u>	<u>(241,766)</u>	<u>(244,955)</u>	<u>(245,159)</u>	<u>(224,188)</u>	<u>(183,120)</u>	<u>(163,754)</u>	<u>(162,390)</u>	<u>(162,390)</u>
Net change in total pension liability	(145,552)	465,409	98,795	(68,368)	(93,349)	(610,103)	(155,157)	(64,107)	231,831	28,088
Total pension liability - beginning	<u>2,234,779</u>	<u>2,089,227</u>	<u>2,554,636</u>	<u>2,653,431</u>	<u>2,585,063</u>	<u>2,491,714</u>	<u>1,881,611</u>	<u>1,726,454</u>	<u>1,662,347</u>	<u>1,894,178</u>
Total pension liability - ending	<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>
Plan Fiduciary Net Position										
Contributions - employee	\$ 1,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	190,000	190,000	126,000	190,000	165,000	165,000	165,000	135,000	135,000	135,000
Net investment income	29,029	107,005	123,406	26,925	46,190	84,891	47,760	67,125	22,174	170,536
Benefit payments	<u>(203,960)</u>	<u>(230,609)</u>	<u>(241,768)</u>	<u>(244,955)</u>	<u>(245,159)</u>	<u>(224,188)</u>	<u>(183,120)</u>	<u>(163,754)</u>	<u>(162,390)</u>	<u>(162,390)</u>
Net change in plan net position	16,584	66,396	7,638	(28,030)	(33,969)	25,703	29,640	38,371	(5,216)	143,146
Plan fiduciary net position - beginning	<u>713,914</u>	<u>730,498</u>	<u>796,894</u>	<u>804,532</u>	<u>776,502</u>	<u>742,533</u>	<u>768,236</u>	<u>797,876</u>	<u>836,247</u>	<u>831,031</u>
Plan fiduciary net position - ending	<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>
Net pension liability - ending	<u>\$ 1,358,729</u>	<u>\$ 1,757,742</u>	<u>\$ 1,848,899</u>	<u>\$ 1,808,561</u>	<u>\$ 1,749,181</u>	<u>\$ 1,113,375</u>	<u>\$ 928,578</u>	<u>\$ 826,100</u>	<u>\$ 1,063,147</u>	<u>\$ 948,089</u>
Plan fiduciary net position as a percentage of total pension liability	34.96%	31.19%	30.32%	30.04%	29.80%	40.83%	46.21%	47.64%	49.37%	50.68%
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**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 137,286	\$ 119,550	\$ 154,658	\$ 166,979	\$ 164,914	\$ 167,726	\$ 110,506	\$ 95,743	\$ 88,851	\$ 119,854
Contributions in relation to actuarially determined contribution	<u>(190,000)</u>	<u>(190,000)</u>	<u>(126,000)</u>	<u>(190,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>
Contribution deficiency (excess)	<u>\$ (52,714)</u>	<u>\$ (70,450)</u>	<u>\$ 28,658</u>	<u>\$ (23,021)</u>	<u>\$ (86)</u>	<u>\$ 2,726</u>	<u>\$ (54,494)</u>	<u>\$ (39,257)</u>	<u>\$ (46,149)</u>	<u>\$ (15,146)</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% (7.0% prior to July 1, 2013)
Retirement age	Upon attainment of 25 years of service.
Mortality	RP 2000 Combined Healthy Mortality Table projected to the year 2020 with Scale AA.

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

Year Ending June 30,	Annual Money-weighted Rate of Return
2012	4.1%
2013	15.1%
2014	16.7%
2015	7.8%
2016	1.6%
2017	11.9%
2018	6.3%
2019	8.6%
2020	2.7%
2021	20.8%

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 Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%	0.13%
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
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
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%
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%

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 Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 319,799	\$ 364,054	\$ 346,203	\$ 364,661	\$ 373,773	\$ 464,618	\$ 553,719	\$ 647,885	\$ 758,891
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>
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
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%

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

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.47%	0.47%	0.44%	0.47%	0.47%	0.48%	0.48%	0.46%
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
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
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%
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%

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 Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 485,074	\$ 518,595	\$ 468,680	\$ 495,590	\$ 576,504	\$ 597,289	\$ 684,676	\$ 798,546	\$ 817,482
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>
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
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%

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

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.11%	0.11%	0.12%	0.12%	0.13%
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
City's covered employee payroll	\$ 2,933,875	\$ 2,960,031	\$ 3,208,685	\$ 3,413,803	\$ 3,356,916
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%
Plan fiduciary net position as a percentage of the total OPEB liability of covered-employee payroll	unavailable	52.39%	57.62%	60.44%	51.67%

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 Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 175,611	\$ 136,454	\$ 133,594	\$ 136,132	\$ 140,010	\$ 150,808	\$ 179,566	\$ 159,789	\$ 187,167
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>
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
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%

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

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.47%	0.47%	0.48%	0.48%	0.46%
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
City's covered employee payroll	\$ 2,477,834	\$ 2,572,333	\$ 2,690,490	\$ 2,753,020	\$ 2,656,508
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%
Plan fiduciary net position as a percentage of the total OPEB liability of covered-employee payroll	unavailable	58.99%	64.24%	64.44%	58.84%

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 Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 422,328	\$ 331,834	\$ 307,028	\$ 310,630	\$ 240,513	\$ 251,561	\$ 288,323	\$ 252,900	\$ 258,897
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>
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
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%

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

CITY OF DANVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

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, 2020 – Pension and OPEB

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.

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%

CITY OF DANVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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, 2021**

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Streetscape Fund	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Parks & Recreation Fund	Total
ASSETS										
Cash and cash equivalents	\$ 10,843	\$ 12,056	\$ 27,692	\$ 187,965	\$ 20,481	\$ 28,619	\$ 5,313	\$ 26,095	\$ 202,904	\$ 521,968
Receivables, net	1,971	-	-	-	-	-	-	-	-	1,971
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,392</u>
Total assets	<u>\$ 12,814</u>	<u>\$ 12,056</u>	<u>\$ 27,692</u>	<u>\$ 187,965</u>	<u>\$ 20,481</u>	<u>\$ 35,011</u>	<u>\$ 5,313</u>	<u>\$ 26,095</u>	<u>\$ 202,904</u>	<u>\$ 530,331</u>
LIABILITIES AND FUND BALANCE										
Accounts payable	\$ 87	\$ -	\$ -	\$ 22,250	\$ -	\$ -	\$ -	\$ -	\$ 41,973	\$ 64,310
Accrued payroll and benefits	-	-	-	-	-	-	-	-	30,681	30,681
Current portion of compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>822</u>	<u>822</u>
Total liabilities	<u>87</u>	<u>-</u>	<u>-</u>	<u>22,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,476</u>	<u>95,813</u>
Fund balance, restricted	-	-	-	-	-	-	5,313	26,095	-	31,408
Fund balance, assigned	<u>12,727</u>	<u>12,056</u>	<u>27,692</u>	<u>165,715</u>	<u>20,481</u>	<u>35,011</u>	<u>-</u>	<u>-</u>	<u>129,428</u>	<u>403,110</u>
Total fund balance	<u>12,727</u>	<u>12,056</u>	<u>27,692</u>	<u>165,715</u>	<u>20,481</u>	<u>35,011</u>	<u>5,313</u>	<u>26,095</u>	<u>129,428</u>	<u>434,518</u>
Total liabilities and fund balance	<u>\$ 12,814</u>	<u>\$ 12,056</u>	<u>\$ 27,692</u>	<u>\$ 187,965</u>	<u>\$ 20,481</u>	<u>\$ 35,011</u>	<u>\$ 5,313</u>	<u>\$ 26,095</u>	<u>\$ 202,904</u>	<u>\$ 530,331</u>

**CITY OF DANVILLE, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 for the year ended June 30, 2021**

	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	\$ 13,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,990	\$ 231,602
Penalties and forfeitures	-	16,445	-	-	-	-	-	-	-	16,445
Other revenues	65	72	166	1,125	17,829	290	32	155	218,157	237,891
Total revenues	13,677	16,517	166	1,125	17,829	290	32	155	436,147	485,938
EXPENDITURES										
Public safety	11,921	6,000	-	-	-	-	-	-	-	17,921
Public services	-	-	-	-	-	-	-	-	860,960	860,960
Community services	-	-	-	-	22,311	-	-	-	-	22,311
Capital outlay	-	-	-	60,155	-	-	-	-	83,271	143,426
Total expenditures	11,921	6,000	-	60,155	22,311	-	-	-	944,231	1,044,618
Excess (deficiency) of revenues over expenditures	1,756	10,517	166	(59,030)	(4,482)	290	32	155	(508,084)	(558,680)
Other financing sources (uses): Transfers (to) from other funds	-	-	-	-	-	-	-	-	637,512	637,512
Net change in fund balance	1,756	10,517	166	(59,030)	(4,482)	290	32	155	129,428	78,832
Fund balance, beginning of year	10,971	1,539	27,526	224,745	24,963	34,721	5,281	25,940	-	355,686
Fund balance, end of year	\$ 12,727	\$ 12,056	\$ 27,692	\$ 165,715	\$ 20,481	\$ 35,011	\$ 5,313	\$ 26,095	\$ 129,428	\$ 434,518

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2021

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 613,700	\$ 29,789	\$ 643,489
Accounts receivable, net	82,956	4,265	-	87,221
Investments	-	123,797	-	123,797
Internal balances	-	588	-	588
Total current assets	<u>82,956</u>	<u>742,350</u>	<u>29,789</u>	<u>855,095</u>
Noncurrent assets				
Nondepreciable capital assets	-	27,136	76,000	103,136
Depreciable capital assets, net	-	72,806	265,117	337,923
Total noncurrent assets	<u>-</u>	<u>99,942</u>	<u>341,117</u>	<u>441,059</u>
Total assets	<u>82,956</u>	<u>842,292</u>	<u>370,906</u>	<u>1,296,154</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	-	12,127	-	12,127
Deferred outflows - OPEB	-	10,294	-	10,294
Total deferred outflows of resources	<u>-</u>	<u>22,421</u>	<u>-</u>	<u>22,421</u>
Total assets and deferred outflows of resources	<u>\$ 82,956</u>	<u>\$ 864,713</u>	<u>\$ 370,906</u>	<u>\$ 1,318,575</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 105,964	\$ 2,310	\$ 1,109	\$ 109,383
Accrued payroll and benefits	-	2,813	-	2,813
Accrued interest payable	-	-	848	848
Current portion of capital leases	-	12,372	-	12,372
Current portion of bonds and notes payable	-	-	1,638	1,638
Current portion of compensated absences	-	45	-	45
Total current liabilities	<u>105,964</u>	<u>17,540</u>	<u>3,595</u>	<u>127,099</u>
Non-current liabilities				
Bonds and notes payable, net of current portion	-	-	36,027	36,027
Capital leases, net of current portion	-	27,501	-	27,501
Net pension liability	-	61,886	-	61,886
Net OPEB liability	-	19,515	-	19,515
Compensated absences, net of current portion	-	854	-	854
Total non-current liabilities	<u>-</u>	<u>109,756</u>	<u>36,027</u>	<u>145,783</u>
Total liabilities	<u>105,964</u>	<u>127,296</u>	<u>39,622</u>	<u>272,882</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	-	-	-	-
Deferred inflows - OPEB	-	3,696	-	3,696
Total deferred inflows of resources	<u>-</u>	<u>3,696</u>	<u>-</u>	<u>3,696</u>
NET POSITION				
Net investment in capital assets	-	60,069	303,452	363,521
Net position, unrestricted	<u>(23,008)</u>	<u>673,652</u>	<u>27,832</u>	<u>678,476</u>
Total net position	<u>(23,008)</u>	<u>733,721</u>	<u>331,284</u>	<u>1,041,997</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 82,956</u>	<u>\$ 864,713</u>	<u>\$ 370,906</u>	<u>\$ 1,318,575</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, 2021

	<u>Garbage Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
Operating revenues				
Fees for services	\$ 1,024,381	\$ 129,959	\$ -	\$ 1,154,340
Total operating revenues	<u>1,024,381</u>	<u>129,959</u>	<u>-</u>	<u>1,154,340</u>
Operating expenses				
Personnel	-	20,851	-	20,851
Contractual	1,087,744	88,165	24,536	1,200,445
Depreciation	-	25,645	16,820	42,465
Other expenses	-	8,872	-	8,872
Total operating expenses	<u>1,087,744</u>	<u>143,533</u>	<u>41,356</u>	<u>1,272,633</u>
Operating (loss)	<u>(63,363)</u>	<u>(13,574)</u>	<u>(41,356)</u>	<u>(118,293)</u>
Nonoperating revenues (expenses)				
Investment earnings	-	5,213	178	5,391
Interest expense	-	(3,681)	(1,588)	(5,269)
Total nonoperating revenues (expenses)	<u>-</u>	<u>1,532</u>	<u>(1,410)</u>	<u>122</u>
(Loss) before other revenues, expenses, gains, losses and transfers	<u>(63,363)</u>	<u>(12,042)</u>	<u>(42,766)</u>	<u>(118,171)</u>
Transfers from other funds	<u>49,240</u>	<u>243,083</u>	<u>26,105</u>	<u>318,428</u>
Change in net position	<u>(14,123)</u>	<u>231,041</u>	<u>(16,661)</u>	<u>200,257</u>
Net position, beginning of year	<u>(8,885)</u>	<u>502,680</u>	<u>347,945</u>	<u>841,740</u>
Net position, end of year	<u>\$ (23,008)</u>	<u>\$ 733,721</u>	<u>\$ 331,284</u>	<u>\$ 1,041,997</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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Kentucky, as of and for the year ended June 30, 2021, 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 March 28, 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 2021-001 and 2021-002, 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
March 28, 2023

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2021

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Commerce Investments for Public Works and Economic Development Facilities	11.300	N/A	7/1/2020-6/30/2021	\$ -	\$ 38,253
Total U.S. Department of Commerce				\$ -	\$ 38,253
U.S. Department of Transportation Passed through the Kentucky Department of Transportation State and Community Highway Safety	20.600	PO2-625-2100000370	7/1/2020-6/30/2021	\$ -	\$ 12,769
Total U.S. Department of Transportation				\$ -	\$ 12,769
U.S. Department of the Treasury Passed through the Kentucky Department for Local Government COVID-19 - Coronavirus Relief Fund for States	21.019	PON2 112 2100001532	7/1/2020-6/30/2021	\$ -	\$ 502,707
Total U.S. Department of Treasury				\$ -	\$ 502,707
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	7/1/2020-6/30/2021	\$ -	\$ 1,204,872
Total U.S. Department of Energy				\$ -	\$ 1,204,872
Total federal awards expended				\$ -	\$ 1,758,601

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

We have audited the City of Danville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Danville, Kentucky's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

RFH

RFH, PLLC
Lexington, Kentucky
March 28, 2023

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2021

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified X Yes _ No

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

Non-compliance material to financial statements noted _ Yes X No

Federal Awards:

Internal control over major programs:

Material weaknesses identified _ Yes X No

Significant deficiencies identified that are not
 considered to be material weaknesses _ Yes X 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 X 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 X No

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2021

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2021-001 – Material Weakness – Audit Adjustments

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 cash, accounts payable and accrued liabilities. Auditors assisted management in reconciling year-end balances. The City also did not have properly operating internal controls in place over year-end adjustments related to receivables, inventory, fixed assets, and interfund activity until the audit was already underway.

Effect:

Year-end account balances had not been fully adjusted at the time of fieldwork, which began on June 28, 2022. Between the commencement of the audit field work and completion, there were a total of 99 adjustments posted through the completion of the audit. Management has been provided a listing of all adjustments, 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 and the financial closeout process. We recommend specifically that accounts payable and accrued liabilities 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 is in the process of strengthening internal controls over financial reporting. Prior to completion of the audit several recommended controls have been implemented, including monthly reconciliations which are reviewed and signed by the Finance Director; monthly analysis of funds which is provided to City Manager and City Commission; and a quarterly review of financials compared to prior year. The Finance Department will implement monthly reconciliation of accounts payable and accrued liabilities with review by the Finance Director, to help create and facilitate monthly/yearly close-out processes.

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2021

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

Criteria:

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

Condition:

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

Cause:

The City placed full responsibility over financial reporting on a single individual. The City did not employ a Finance Director the second half of fiscal year 2021, and a new finance director was hired in February 2022. During the period of over a year, the City lacked personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, did not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect:

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

Recommendation:

We recommend management pursue other measures to expand the role of financial reporting beyond one individual.

Response:

The City of Danville strives to expand and improve its financial reporting process. The City hired a new Finance Director in February 2022 and going forward will ensure Finance Department staff receive appropriate on-going training in generally accepted accounting principles. Additionally, the Finance Department will work to create documented procedures for processes related to financial reporting.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

2020-001 – Material Weakness – Financial Statements (Repeated)