

**CITY OF CARROLLTON, KENTUCKY**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION,**  
**AND INDEPENDENT AUDITOR'S REPORTS**  
**Year Ended June 30, 2021**

# CITY OF CARROLLTON, KENTUCKY

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**CITY OF CARROLLTON, KENTUCKY**

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# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the City Council  
of the City of Carrollton  
Carrollton, 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 Carrollton, 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 Carrollton, 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.

#### ***Auditor's 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 Carrollton, 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 on Pages 3 through 10, and other required supplementary information on pages 62 to 67 in the table of contents 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 Carrollton, Kentucky's basic financial statements. The combining nonmajor governmental fund financial statements and the enterprise fund schedules listed in the table of contents as other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements and the enterprise fund schedules listed in the table of contents as other supplemental information, 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 governmental fund financial statements and the enterprise fund schedules listed in the table of contents as other supplemental information, 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 January 10, 2022, on our consideration of the City of Carrollton, 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 Carrollton, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carrollton, Kentucky's internal control over financial reporting and compliance.

*Raisor, Zapp & Woods PSC*

**RAISOR, ZAPP & WOODS, PSC**  
Certified Public Accountants  
Carrollton, Kentucky

January 10, 2022

Our discussion and analysis of the City of Carrollton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2021. Please read it in conjunction with the City's financial statements, which begin on page 11.

## **FINANCIAL HIGHLIGHTS**

- The City's capital outlay includes the following:
  - \$35,160 for a new police cruiser and \$7,804 to have two cruisers uplifted.
  - \$11,458 to upgrade the mobile CAD.
  - \$30,770 for ten MDT for the police cruisers.
  - \$55,336 for a new F-550 truck equipped with a dump bed and snow plow.
  - \$10,475 on a 2 ton asphalt hot box.
  - \$9,955 for a County Clipper Box XL Zero Turn Mower
  - \$2,638 to replace a bunker gear set.
  - \$5,349 for 2 turnout gear sets.
  - \$4,476 for a super vac. 18" variable speed fan.
  - \$160,611 for the sidewalk along 11<sup>th</sup> Street
- City's total net position of its governmental funds decreased by \$58,209.
- In the City's business-type activities, charges for service increased from \$30,781,372 to \$37,228,506 and expenses increased from \$31,273,269 to \$37,566,398. Natural gas prices increased drastically, resulting in the increase in revenues and expenses.
- Capital outlay expended through the City's business-type activities includes the following:
  - \$403,000 to purchase a new vac truck from 502 Equipment
  - \$6,934 for a new Regulator at Dow Silicones
  - \$7,185 for a new Trimble Ranger Handheld for meter reading
  - \$5,451 for new Transcat Calibration Equipment for the gas system.
  - \$7,650 for a new scissor lift
  - \$10,700 for a new forklift
  - \$10,790 for a new Ricoh Copier.
  - \$9,387 for new surveying equipment
  - \$461,241 for the Natural Gas 20/20 project, which will increase natural gas capacity.
- City's total net position of its business type activities decreased by \$267,580.

## **USING THIS ANNUAL REPORT**

This annual report contains a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11-13) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements reflect how these services were financed and what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by including information about the City's most significant funds.

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**Reporting on the City as a Whole:**

**The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 5. The Statement of Net Position and the Statement of Activities provide information about the City as a whole and about its activities in a way to show if the City is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position - the difference between assets and deferred outflows or resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health. Increases or decreases in the City's net position - over a period of time - is one indicator of whether the City's financial health is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base, the condition of its infrastructure assets, and advances in the City's utility services must be considered to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities.

- \* Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, public works, and code enforcement. Property taxes, franchise fees, insurance premium taxes, and state and federal grants finance these activities.
- \* Business-type activities - The City's proprietary fund, Carrollton Utilities, which charges fees to customers to fund the City's water, sewer, and natural gas systems, are reported here.

**Reporting the City's Most Significant Funds:**

**Fund Financial Statements**

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information about the most significant funds. Some funds are required to be established by State law, like the Municipal Street Aid Fund and the L.G.E.A. Fund. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- \* Governmental funds - The City's services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for carry-over funds for the next budget year. These funds are reported on the modified accrual accounting basis, which measures cash and all other financial assets that can be readily converted to cash.
- \* Proprietary funds - Business Type-Activities. The City reports the Carrollton Utilities as a proprietary fund. The City charges customers for the services of gas, water and sewer provided through the Carrollton Utilities. These are reported on the accrual accounting basis and are included in the Statement of Net Position on page 11.

**THE CITY AS A WHOLE**

The City's combined net position decreased from \$49,010,331 to \$48,684,542. The net position and net expenses of governmental and business-type activities show two different results. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**TABLE 1  
NET POSITION**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL GOVERNMENT	
	19/20	20/21	19/20	20/21	19/20	20/21
CURRENT AND OTHER ASSETS	\$ 6,366,553	\$ 5,751,994	\$ 11,694,834	\$ 12,342,955	\$ 18,061,387	\$ 18,094,949
CAPITAL ASSETS	6,491,999	7,513,192	42,597,959	42,981,805	49,089,958	50,494,997
<b>TOTAL ASSETS</b>	<b>\$ 12,858,552</b>	<b>\$ 13,265,186</b>	<b>\$ 54,292,793</b>	<b>\$ 55,324,760</b>	<b>\$ 67,151,345</b>	<b>\$ 68,589,946</b>
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,393,697	\$ 1,475,577	\$ 1,609,256	\$ 1,599,330	\$ 3,002,953	\$ 3,074,907
NON-CURRENT LIABILITIES	4,792,253	5,567,054	11,896,050	11,410,589	16,688,303	16,977,643
CURRENT LIABILITIES	320,210	243,214	3,074,905	4,748,446	3,395,115	4,991,660
<b>TOTAL LIABILITIES</b>	<b>\$ 5,112,463</b>	<b>\$ 5,810,268</b>	<b>\$ 14,970,955</b>	<b>\$ 16,159,035</b>	<b>\$ 20,083,418</b>	<b>\$ 21,969,303</b>
DEFERRED INFLOWS OF RESOURCES	\$ 480,009	\$ 328,927	\$ 580,540	\$ 682,081	\$ 1,060,549	\$ 1,011,008
NET POSITION:						
NET INVESTMENT IN CAPITAL ASSETS	\$ 6,784,511	\$ 6,478,129	\$ 38,129,948	\$ 37,874,080	\$ 44,914,459	\$ 44,352,209
RESTRICTED	66,220	31,315	632,619	602,839	698,839	634,154
UNRESTRICTED	1,809,046	2,092,124	1,587,987	1,606,055	3,397,033	3,698,179
<b>TOTAL NET POSITION</b>	<b>8,659,777</b>	<b>8,601,568</b>	<b>\$ 40,350,554</b>	<b>\$ 40,082,974</b>	<b>\$ 49,010,331</b>	<b>\$ 48,684,542</b>

Net position of the City's governmental activities decreased by .68% (\$8,601,568 compared to \$8,659,777 in the prior year.) Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints establish by debt covenants, enabling legislation, or other legal requirements – changed from \$1,809,046 at June 30, 2020 to \$2,092,124 to June 30, 2021.

The net position of our business-type activities decreased by .66% from \$40,350,554 in the prior year to \$40,082,974. Unrestricted net assets changed from \$1,587,987 at June 30, 2020 to \$1,606,055 at June 30, 2021. The City generally can only use the unrestricted net assets to finance the continuing operations of the gas, water and sewer operations.



**TABLE 2**  
**CHANGES IN NET POSITION**

	<b>GOVERNMENTAL ACTIVITIES</b>		<b>BUSINESS-TYPE ACTIVITIES</b>		<b>TOTAL GOVERNMENT</b>	
	<b>19/20</b>	<b>20/21</b>	<b>19/20</b>	<b>20/21</b>	<b>19/20</b>	<b>20/21</b>
<b>REVENUES:</b>						
PROGRAM REVENUES:						
CHARGES FOR SERVICES	\$ 1,245,057	\$1,311,940	\$30,740,447	\$ 37,163,137	\$31,985,504	\$ 38,475,077
GRANTS AND CONTRIBUTIONS	577,359	475,074	-	-	577,359	475,074
GENERAL REVENUES:						
PROPERTY TAXES	477,475	482,084	-	-	477,475	482,084
FRANCHISE TAXES	377,905	397,005	-	-	377,905	397,005
PEAK ANNUAL RETURN	1,682,124	1,779,798	-	-	1,682,124	1,779,798
INSURANCE LICENSES	593,069	645,435	-	-	593,069	645,435
OTHER GENERAL REVENUES	22,135	16,584	179,397	125,681	201,532	142,265
<b>TOTAL REVENUES:</b>	<b>\$ 4,975,124</b>	<b>\$5,107,920</b>	<b>\$30,919,844</b>	<b>\$ 37,288,818</b>	<b>\$35,894,968</b>	<b>\$ 42,396,738</b>
<b>PROGRAM EXPENSES:</b>						
GENERAL GOVERNMENT	\$ 641,740	\$ 680,190	\$ -	\$ -	\$ 641,740	\$ 680,190
PUBLIC SAFETY	2,603,048	2,774,521	-	-	2,603,048	2,774,521
PUBLIC WORKS	1,040,534	1,074,037	-	-	1,040,534	1,074,037
CODE ENFORCEMENT	88,816	52,550	-	-	88,816	52,550
HEALTH & SANITATION	350,986	356,378	-	-	350,986	356,378
PARKS & RECREATION	259,271	252,023	-	-	259,271	252,023
COMMUNITY SERVICE	11,411	4,600	-	-	11,411	4,600
LOSS ON DISPOSITION OF ASSETS	58,219	(28,170)	(28,832)	(10,000)	29,387	(38,170)
GAS	-	-	26,776,712	32,741,057	26,776,712	32,741,057
WATER	-	-	1,648,262	1,722,881	1,648,262	1,722,881
SEWER	-	-	2,512,333	2,780,004	2,512,333	2,780,004
MANAGEMENT SERVICES	-	-	335,963	322,456	335,963	322,456
<b>TOTAL EXPENSES:</b>	<b>\$ 5,054,025</b>	<b>\$5,166,129</b>	<b>\$31,244,438</b>	<b>\$ 37,556,398</b>	<b>\$36,298,463</b>	<b>\$ 42,722,527</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (78,901)</b>	<b>\$ (58,209)</b>	<b>\$ (324,594)</b>	<b>\$ (267,580)</b>	<b>\$ (403,495)</b>	<b>\$ (325,789)</b>
TRANSFERS	316,791	-	(316,791)	-	-	-
CAPITAL CONTRIBUTIONS	-	-	1,373,983	-	1,373,983	-
<b>CHANGE IN NET POSITION</b>	<b>\$ 237,890</b>	<b>\$ (58,209)</b>	<b>\$ 732,598</b>	<b>\$ (267,580)</b>	<b>\$ 970,488</b>	<b>\$ (325,789)</b>

The City's total revenues increased by \$6,501,770. The total cost of all programs and services increased by \$6,424,064. Our analysis below separately considers the operations of governmental and business-type activities.

## Governmental Activities

Revenues for the City's governmental activities increased (\$132,796) due mainly to revenues received associated with PEAK, insurance licenses and rentals at Two Rivers Campground. Total expenses increased by 2.22 percent (\$112,104). The decrease in net position for governmental activities was \$58,209 in FY 2020-2021. This compares to a \$237,890 increase in net position in FY 2019-2020.

The City budgeted the following capital outlay projects:

\$97,000 new equipment for Police Department  
\$179,491 for new equipment for Dispatch  
\$174,162 for sidewalks  
\$77,377 new equipment for Public Works

- The City budgeted a 3% increase in departmental salaries
- The City continued with the self-insured health insurance plan along with several other Northern Kentucky government entities with a budgeted 7% premium increase and offered several different options to the employees with different deductibles. Also, if employees chose a Healthy Plan their plan would be provided at no cost to them when choosing certain plans.

The cost of all governmental activities this year was \$5,194,299 compared to \$4,995,806 last year. As shown in the Statement of Activities on pages 12-13, the amount that our taxpayers financed for these activities was \$1,311,940, and some of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions of \$475,074. Overall, the City's governmental program revenues, including intergovernmental aid and fees for services decreased from \$1,822,416 to \$1,787,014.

Table 3 presents the cost of each of the City's departments - General Government, Fire Department, Police Department, Public Works Department, and Sanitation. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**TABLE 3  
GOVERNMENTAL ACTIVITIES**

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	19/20	20/21	19/20	20/21
GENERAL GOVERNMENT	\$ 641,740	\$ 680,190	\$ (387,434)	\$ (495,461)
FIRE DEPARTMENT	242,376	264,462	(203,854)	(210,815)
POLICE DEPARTMENT/DISPATCH	2,360,672	2,510,059	(1,452,969)	(1,612,750)
PUBLIC WORKS DEPARTMENT	1,040,534	1,074,037	(961,699)	(998,644)
CODE ENFORCEMENT	88,816	52,550	(88,816)	(52,550)
SANITATION	350,986	356,378	46,213	46,237
ALL OTHERS	270,682	256,623	(124,741)	(83,302)
TOTALS:	<u>\$ 4,995,806</u>	<u>\$ 5,194,299</u>	<u>\$ (3,173,300)</u>	<u>\$ (3,407,285)</u>

### Business-type Activities

Total revenues of the City's business type activities (see table 2) increased 20.89 percent and total expenses increased 20.12 percent in FY 20-21 as compared to FY 19-20 mainly due to gas prices.

**TABLE 4  
BUSINESS-TYPE ACTIVITIES**

	PROGRAM REVENUES - CHARGES FOR SERVICES		EXPENSES	
	19/20	20/21	19/20	20/21
GAS	\$ 26,661,195	\$ 33,029,227	\$ 26,776,712	\$ 32,741,057
WATER	1,215,238	1,229,532	1,648,262	1,722,881
SEWER	2,615,836	2,656,200	2,512,333	2,780,004
MANAGEMENT SERVICES	248,178	248,178	335,963	322,456
TOTALS:	<u>\$ 30,740,447</u>	<u>\$ 37,163,137</u>	<u>\$ 31,273,270</u>	<u>\$ 37,566,398</u>

### THE CITY'S FUNDS

As the City completed fiscal year 2020-2021, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$4,251,526 which represents an increase of \$614,909 from last year's total of \$3,636,617.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council revised the General Fund budget one time for fiscal year ending June 30, 2020. This amendment accounted for increases in revenues from property taxes, licenses/permits, and charges for services. In addition, it accounted for the increases in all departments as a result of annual salary increases.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of June 30, 2021, the City had \$48,266,028 (net of accumulated depreciation) invested in capital assets including buildings, utilities, police, fire, and public works equipment, park facilities, city streets, and water, sewer, and gas lines. (See table below.) This represents a net decrease of \$823,930 or 1.7%.

**TABLE 5  
CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	19/20	20/21	19/20	20/21	19/20	20/21
LAND	\$ 1,114,102	\$ 1,114,102	\$ 2,073,654	\$ 2,073,654	\$ 3,187,756	\$ 3,187,756
BUILDINGS & IMPROVEMENTS	3,003,604	2,940,442	6,251,220	5,985,648	9,254,824	8,926,090
EQUIPMENT	1,146,754	1,201,709	2,143,954	2,264,330	3,290,708	3,466,039
INFRASTRUCTURE	1,176,539	1,225,620	31,722,141	30,912,910	32,898,680	32,138,530
CONSTRUCTION-IN-PROGRESS	51,000	-	406,990	547,613	457,990	547,613
TOTALS:	<u>\$ 6,491,999</u>	<u>\$ 6,481,873</u>	<u>\$ 42,597,959</u>	<u>\$ 41,784,155</u>	<u>\$ 49,089,958</u>	<u>\$ 48,266,028</u>

This year's major additions included:

- \$97,000 for new Police Cruiser/Equipment
- \$179,491 for new equipment for Dispatch
- \$174,162 for sidewalks
- \$77,377 on new equipment for Public Works included an F-550 truck equipped with a dump bed and snow plow, a 2 ton asphalt hot box and a County Clipper Boss Zero Turn Mower.
- \$403,000 to purchase a new vac truck from 502 Equipment
- \$6,934 for a new Regulator at Dow Silicones
- \$7,185 for a new Trimble Ranger Handheld for meter reading
- \$5,451 for new Transcat Calibration Equipment for the gas system
- \$7,650 for a new scissor lift
- \$10,700 for a new forklift
- \$10,790 for a new Ricoh Copier
- \$9,387 for new surveying equipment
- \$461,241 for the Natural Gas 20/20 project, which will increase natural gas capacity

#### Debt

At year-end, the City's long-term debt for its governmental funds consisted of one outstanding capital lease for police equipment. No notes payable or bonds payable were outstanding in the governmental funds.

**TABLE 6  
OUTSTANDING DEBT AT YEAR-END**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	19/20	20/21	19/20	20/21	19/20	20/21
CAPITAL LEASE	\$ 7,488	\$ 3,744	\$ -	\$ -	\$ 7,488	\$ 3,744
NOTES PAYABLE	-	-	5,085,530	4,577,860	5,085,530	4,577,860
BONDS PAYABLE	-	-	-	-	-	-
<b>TOTALS:</b>	<b>\$ 7,488</b>	<b>\$ 3,744</b>	<b>\$ 5,085,530</b>	<b>\$ 4,577,860</b>	<b>\$ 5,093,018</b>	<b>\$ 4,581,604</b>

The City's long-term debt for its business-type activities consisted of the following notes payable to the Kentucky Infrastructure Authority:

- \$47,473 for a 30-year loan secured by sewer revenues with a final maturity in June 2032.
- \$221,741 for a 20-year loan secured by sewer revenues with a final maturity in December 2022.
- \$1,277,392 for a 20-year loan secured by sewer revenues with a final maturity in December 2026.
- \$521,048 for a 20-year loan secured by sewer revenues with a final maturity in December 2032.
- \$1,038,679 for a 30-year loan secured by water revenues with a final maturity in December 2044.
- \$1,055,141 for a 30-year loan secured by water revenues with a final maturity in June 2046.
- \$416,386 for a 30-year loan secured by water revenues with a final maturity in December 2046.

Other obligations of the City represent accrued compensated absences for \$126,131 compared to \$134,982 last year.

Project Gas Supply Credits Payable of \$1,936,047 represents amounts that will be payable to long-term gas supply contract customers as a credit to their industrial gas bill as terms and conditions of those long-term gas supply contracts are met in future years.

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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2021-2022 budget. One of those factors is the economy - specifically the Consumer Price Index (CPI). The CPI was reported at 5.4% according to the Commonwealth of Kentucky. Council decided to allocate a 3% increase for departmental salaries.

The City chose not to raise the property tax rate by 4% as allowed per KRS 132.027. In F/Y 20-21 the property tax rate was \$.298 per \$100 of assessment. The FY21-22 includes the following capital investments: a new sidewalk along Clay Street between 7<sup>th</sup> Street and 11<sup>th</sup> Street for \$147,000, \$200,000 for new bathrooms at Point Park, \$25,000 for improvements to City Hall, and \$13,500 on Public Works equipment.

In August, 2021, the City received \$489,433 American Rescue Plan Funds. This is the first of two payments to be received and represents 50% of the funds allocated to the City through the State of Kentucky. Such funding is restricted as to use to those purposes outlined in the Act.

As for the City's business-type activities, the commission has budgeted a increase in natural gas revenue to account for the change in gas prices. The Commission has also budgeted a 3% increase to water rates and a 4% increase for sewer rates.

The City is currently working on the Gas 20/20 Project. The Natural Gas 20/20 Expansion project (20/20 project) has a vision and a goal of expanding Carrollton Utilities (CU) gas system capacity to handle recent industrial customer expansions and to increase overall system capacity. The City has applied for an Economic Development Grant for this project and anticipates receiving \$2,000,000 in grant funds.

The revised project will include:

1. 8,000 linear feet of 10" - .250 wall steel pipe running parallel to the 6" between Dow and 4-Mile Road as shown on the attached maps.
2. Blue Lick Regulator Station – Construct a regulator station on the 10" gas pipeline on Blue Lick Road just outside of Carrollton. The regulator station will be used to cut the pressure on the 10" back to distribution pressure (<340 psi). Work includes purchase of pre-fab station, installation of the station, tie-in to the existing 10" line and site work necessary for the installation.
3. Ancillary gas work including gas pre-heater installation, Wright's Ridge upgrades, piping and valving. The total project cost estimate is \$4,160,556 with \$2,850,074 of the project eligible for EDA funding. The City of Carrollton has been approved for a financial assistance of \$1,425,037 as of December 1, 2021 through the U.S. Department of Commerce Public Works Program or 50% of the eligible project cost. Carrollton Utilities will fund the remainder of the project through the use of their own funds.

After an order was issued by the Public Service Commission to West Carroll Water District on March 12, 2019, Carrollton Utilities began discussions with West Carroll Water District regarding a possible merger. Carrollton Utilities has operated and maintained West Carroll Water District through a maintenance agreement for many years. The Public Service Commission suggested the merger occur after an investigation began into water districts within their jurisdiction with high water loss.

Carrollton Utilities and West Carroll agreed on terms of the acquisition and a bill of sale was signed on June 21<sup>st</sup>, 2021. The assets and liabilities of West Carroll Water District will be acquired by Carrollton Utilities effective July 1<sup>st</sup>, 2021. West Carroll Water District customers will not see an immediate increase to their rates or fees due to this merger as Carrollton Utilities has adopted their current rate and fee structure.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer's Office at 750 Clay Street, Carrollton, Kentucky 41008.

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF NET POSITION**  
June 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash, Including Time Deposits	\$ 3,830,707	\$ 7,794,132	\$ 11,624,839
Interest Receivable	-	663	663
Accounts Receivable (Net)	253,925	3,300,861	3,554,786
Other Receivables	-	1,889,297	1,889,297
Due from Other Governments	373,635	100,094	473,729
Due from Other Funds	1,282,865	(1,282,865)	-
Current Portion - Interlocal Receivable	-	497,900	497,900
Prepaid Expense	10,862	42,873	53,735
Total Current Assets	<u>\$ 5,751,994</u>	<u>\$ 12,342,955</u>	<u>\$ 18,094,949</u>
<b>Noncurrent Assets</b>			
Restricted Assets			
Cash, Including Time Deposits	\$ -	\$ 828,373	\$ 828,373
Due from Other Funds	1,031,319	(1,031,319)	-
Other Receivables - Noncurrent	-	1,222,633	1,222,633
Interlocal Receivable	-	177,963	177,963
Capital Assets (Net)	6,481,873	41,784,155	48,266,028
Total Noncurrent Assets	<u>\$ 7,513,192</u>	<u>\$ 42,981,805</u>	<u>\$ 50,494,997</u>
Total Assets	<u>\$ 13,265,186</u>	<u>\$ 55,324,760</u>	<u>\$ 68,589,946</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Attributable to Employer Pension Plan	\$ 839,266	\$ 897,615	\$ 1,736,881
Attributable to Employer OPEB Plan	636,311	701,715	1,338,026
Total Deferred Outflows of Resources	<u>\$ 1,475,577</u>	<u>\$ 1,599,330</u>	<u>\$ 3,074,907</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 109,704	\$ 3,201,772	\$ 3,311,476
Accrued Compensated Absences	61,733	10,218	71,951
Accrued Wages	66,812	70,642	137,454
Sales Tax Payable	1,221	34,584	35,805
Project Gas Supply Credits Payable	-	904,728	904,728
Construction Retainage Payable	-	8,078	8,078
Lease Payable - Current Portion	3,744	-	3,744
Current Liabilities Payable from Restricted Assets:			
Accrued Interest	-	4,579	4,579
Notes Payable	-	513,845	513,845
Total Current Liabilities	<u>\$ 243,214</u>	<u>\$ 4,748,446</u>	<u>\$ 4,991,660</u>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences	\$ 18,987	\$ 35,193	\$ 54,180
Project Gas Supply Credits Payable	-	1,031,319	1,031,319
Notes Payable	-	4,064,015	4,064,015
Net Pension Liability	4,219,912	4,608,623	8,828,535
Net OPEB Liability	1,328,155	1,450,484	2,778,639
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	220,955	220,955
Total Noncurrent Liabilities	<u>\$ 5,567,054</u>	<u>\$ 11,410,589</u>	<u>\$ 16,977,643</u>
Total Liabilities	<u>\$ 5,810,268</u>	<u>\$ 16,159,035</u>	<u>\$ 21,969,303</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Attributable to Employer Pension Plan	\$ 77,321	\$ 322,240	\$ 399,561
Attributable to Employer OPEB Plan	251,606	359,841	611,447
Total Deferred Inflows of Resources	<u>\$ 328,927</u>	<u>\$ 682,081</u>	<u>\$ 1,011,008</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 6,478,129	\$ 37,874,080	\$ 44,352,209
Restricted for:			
Debt Service	-	602,839	602,839
Other Purposes	31,315	-	31,315
Unrestricted	2,092,124	1,606,055	3,698,179
Total Net Position	<u>\$ 8,601,568</u>	<u>\$ 40,082,974</u>	<u>\$ 48,684,542</u>

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2021

		Program Revenues		
		Charges For	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions / Programs</b>				
<b>Governmental Activities</b>				
General Government	\$ 680,190	\$ 182,687	\$ 2,042	\$ -
Public Safety				
Fire Department	264,462	677	52,970	-
Dispatch	807,476	379,148	-	167,192
Police Department	1,702,583	177,470	173,499	-
Public Works	1,074,037	-	75,393	-
Sanitation	356,378	402,615	-	-
Code Enforcement	52,550	-	-	-
Parks & Recreation	252,023	169,343	-	-
Community Service	4,600	-	3,978	-
Total Governmental Activities	\$ 5,194,299	\$ 1,311,940	\$ 307,882	\$ 167,192
<b>Business-type Activities</b>				
Gas	\$ 32,741,057	\$ 33,029,227	\$ -	\$ -
Water	1,722,881	1,229,532	-	-
Sewer	2,780,004	2,656,200	-	-
Management Services	322,456	248,178	-	-
Total Business-type Activities	\$ 37,566,398	\$ 37,163,137	\$ -	\$ -
Total Government	\$ 42,760,697	\$ 38,475,077	\$ 307,882	\$ 167,192

**General Revenues**

Taxes:

Property Taxes

Franchise Taxes

PEAK Returns

Insurance Licenses

Unrestricted Investment Income

Restricted Investment Income

Miscellaneous

Gain (Loss) on Disposition of Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - July 1

Net Position - June 30

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (495,461)	\$ -	\$ (495,461)
(210,815)	-	(210,815)
(261,136)	-	(261,136)
(1,351,614)	-	(1,351,614)
(998,644)	-	(998,644)
46,237	-	46,237
(52,550)	-	(52,550)
(82,680)	-	(82,680)
(622)	-	(622)
<u>\$ (3,407,285)</u>	<u>\$ -</u>	<u>\$ (3,407,285)</u>
\$ -	\$ 288,170	\$ 288,170
-	(493,349)	(493,349)
-	(123,804)	(123,804)
-	(74,278)	(74,278)
<u>\$ -</u>	<u>\$ (403,261)</u>	<u>\$ (403,261)</u>
\$ (3,407,285)	\$ (403,261)	\$ (3,810,546)
\$ 482,084	\$ -	\$ 482,084
397,005	-	397,005
1,779,798	-	1,779,798
645,435	-	645,435
16,584	59,584	76,168
-	728	728
-	65,369	65,369
28,170	10,000	38,170
<u>\$ 3,349,076</u>	<u>\$ 135,681</u>	<u>\$ 3,484,757</u>
\$ (58,209)	\$ (267,580)	\$ (325,789)
\$ 8,659,777	\$ 40,350,554	\$ 49,010,331
<u>\$ 8,601,568</u>	<u>\$ 40,082,974</u>	<u>\$ 48,684,542</u>



**CITY OF CARROLLTON, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash, Including Time Deposits	\$ 3,797,899	\$ 32,808	\$ 3,830,707
Accounts Receivable: (Net of Allowance for Uncollectibles)			
Insurance Licenses	163,239	-	163,239
Business Licenses	13,959	-	13,959
Ad Valorem Tax	1,271	-	1,271
Franchise Fees	68,551	-	68,551
Miscellaneous	3,760	-	3,760
Due from Other Governments	363,190	10,445	373,635
Due from Other Funds	472,874	-	472,874
Total Assets	<u>\$ 4,884,743</u>	<u>\$ 43,253</u>	<u>\$ 4,927,996</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 109,704	\$ -	\$ 109,704
Sales Tax Payable	1,221	-	1,221
Accrued Compensated Absences	60,008	-	60,008
Accrued Wages	66,812	-	66,812
Total Liabilities	<u>\$ 237,745</u>	<u>\$ -</u>	<u>\$ 237,745</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
CMRS Grants	\$ 215,608	\$ -	\$ 215,608
Coronavirus Relief Fund	28,527	-	28,527
PEAK 2020 Annual Return	194,590	-	194,590
Total Deferred Outflow of Resources	<u>\$ 438,725</u>	<u>\$ -</u>	<u>\$ 438,725</u>
<b>FUND BALANCES</b>			
Restricted	\$ -	\$ 31,315	\$ 31,315
Committed	20,865	-	20,865
Assigned	-	11,938	11,938
Unassigned	4,187,408	-	4,187,408
Total Fund Balances	<u>\$ 4,208,273</u>	<u>\$ 43,253</u>	<u>\$ 4,251,526</u>
Total Liabilities and Fund Balances	<u>\$ 4,884,743</u>	<u>\$ 43,253</u>	<u>\$ 4,927,996</u>

**CITY OF CARROLLTON, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2021**

Total Governmental Fund Balances	\$	4,251,526
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***Amounts reported for governmental activities in the statement of net position are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Total capital assets \$13,490,474 net of accumulated depreciation \$7,008,601.		6,481,873
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Revenues that do not provide current financial resources are not reported as revenues in the funds. Amounts due on such revenues but not received subsequent to year end within 60 days have been reported as receivable in the Statement of Net Position.		2,283,180
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Accrued Compensated Absences	\$ 20,712	
Lease Payable	3,744	
Net Pension Liability	4,219,912	
Net OPEB Liability	1,328,155	
		(5,572,523)

Expenditures that have used current financial resources but have been made for goods and services to be received subsequent to year end have been reported as a prepaid expense in the Statement of Net Position.		10,862
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Deferred Outflows of Resources:		
Attributable to CERS Employer Pension Plan	\$ 839,266	
Attributable to CERS Employer OPEB Plan	636,311	
		1,475,577

Deferred Inflows Of Resources:		
Attributable to CERS Employer Pension Plan	\$ 77,321	
Attributable to CERS Employer OPEB Plan	251,606	
		(328,927)

Net Position of Governmental Activities	\$	8,601,568
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**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

<b>REVENUES</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Taxes:			
Property Taxes	\$ 482,084	\$ -	\$ 482,084
Franchise Taxes	365,932	-	365,932
Insurance Taxes	645,435	-	645,435
Bank Deposits	31,073	-	31,073
Licenses and Permits	108,310	-	108,310
Intergovernmental Revenues	922,616	84,296	1,006,912
PEAK Revenue	1,838,528	-	1,838,528
Charges for Sanitation Services	402,615	-	402,615
Recreation Facility Services	169,343	-	169,343
CRMS/Landline E-911 Revenues	97,344	-	97,344
Contributions	12,788	3,978	16,766
Interest Revenue	16,223	360	16,583
Miscellaneous	43,403	-	43,403
Total Revenues	<u>\$ 5,135,694</u>	<u>\$ 88,634</u>	<u>\$ 5,224,328</u>
<b>EXPENDITURES</b>			
Current			
Administrative	\$ 584,767	\$ -	\$ 584,767
Public Safety			
Fire Department	181,094	-	181,094
Emergency Dispatch	638,352	-	638,352
Police Department	1,405,645	-	1,405,645
Public Works	741,731	71,843	813,574
Sanitation	356,378	-	356,378
Parks and Recreation	115,404	-	115,404
Community Service	-	4,600	4,600
Code Enforcement	44,198	-	44,198
Capital Outlay	489,833	-	489,833
Debt Service - Principal	3,744	-	3,744
Total Expenditures	<u>\$ 4,561,146</u>	<u>\$ 76,443</u>	<u>\$ 4,637,589</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 574,548</u>	<u>\$ 12,191</u>	<u>\$ 586,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Asset Sales	\$ 28,170	\$ -	\$ 28,170
Total Other Financing Sources (Uses)	<u>\$ 28,170</u>	<u>\$ -</u>	<u>\$ 28,170</u>
Net Change in Fund Balance	\$ 602,718	\$ 12,191	\$ 614,909
Fund Balances - Beginning of Year	3,605,555	31,062	3,636,617
Fund Balances - End of Year	<u>\$ 4,208,273</u>	<u>\$ 43,253</u>	<u>\$ 4,251,526</u>

**CITY OF CARROLLTON, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 614,909

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capitalized Expenditures	489,833
Depreciation Expense	(499,959)

Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	3,744
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds until paid.

Compensated Absences	(728)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(58,730)
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Expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances that are for goods and services not yet received are not reported as expenses in the Statement of Activities.	(3,020)
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Governmental funds report city pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(453,467)
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Governmental funds report city OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	(93,113)
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Grant Funds received by the City attributable to CMRS reimbursable grant expenditures (\$55,216) and relief funds arising from eligible reimbursable coronavirus expenditures (\$246,597) recognized as income under the accrual basis in the previous fiscal year, reduce current year income in the Statement of Activities.	(301,813)
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Grant Funds due the City attributable to CMRS reimbursable grant expenditures (\$215,608) and relief funds arising from eligible reimbursable coronavirus expenditures (\$28,527) not available within 60 days, are recognized as deferred inflows in the Funds Statements. In the Statement of Activities, these transactions are recognized as revenue under the accrual basis.	244,135
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Change in Net Position of Governmental Activities	\$ (58,209)
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**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2021

	<b>Carrollton Utilities Enterprise Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash, Including Time Deposits	\$ 7,794,132
Interest Receivable	663
Accounts Receivable (Net)	3,300,861
Other Receivables	1,889,297
Due from Other Governments	100,094
Current Portion - Interlocal Receivable	497,900
Prepaid Expense	42,873
Total Current Assets	<u>\$ 13,625,820</u>
<b>Noncurrent Assets</b>	
Restricted Assets	
Cash, Including Time Deposits	\$ 828,373
Other Receivables - Noncurrent	1,222,633
Interlocal Receivable	177,963
Capital Assets (Net)	41,784,155
Total Noncurrent Assets	<u>\$ 44,013,124</u>
Total Assets	<u>\$ 57,638,944</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Attributable to Employer Pension Plan	\$ 897,615
Attributable to Employer OPEB	701,715
Total Deferred Outflows	<u>\$ 1,599,330</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 3,201,772
Due to Other Funds	1,282,865
Accrued Compensated Absences	10,218
Accrued Salaries, Wages & Benefits	70,642
Sales Tax Payable	34,584
Project Gas Supply Credits Payable	904,728
Construction Retainage Payable	8,078
Current Liabilities Payable from Restricted Assets:	
Accrued Interest Payable	4,579
Notes Payable	513,845
Total Current Liabilities	<u>\$ 6,031,311</u>
<b>Noncurrent Liabilities</b>	
Accrued Compensated Absences	\$ 35,193
Project Gas Supply Credits Payable	1,031,319
Due to Other Funds	1,031,319
Notes Payable	4,064,015
Net Pension Liability	4,608,623
Net OPEB Liability	1,450,484
Noncurrent Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	220,955
Total Noncurrent Liabilities	<u>\$ 12,441,908</u>
Total Liabilities	<u>\$ 18,473,219</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Attributable to Employer Pension Plan	\$ 322,240
Attributable to Employer OPEB	359,841
Total Deferred Inflows	<u>\$ 682,081</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 37,874,080
Restricted for:	
Debt Service	602,839
Unrestricted	1,606,055
Total Net Position	<u>\$ 40,082,974</u>

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2021**

	<u>Carrollton Utilities Enterprise Fund</u>
<b>Operating Revenues:</b>	
<b>Charges for Services:</b>	
Gas Utility Charges (Net)	\$ 32,980,183
Water Utility Charges (Net)	1,220,688
Sewer Utility Charges (Net)	2,460,322
Connection Fees & Service Charges	253,766
Contractual Services	248,178
Total Charges for Services	<u>\$ 37,163,137</u>
Miscellaneous Revenues	65,369
Total Operating Revenues	<u>\$ 37,228,506</u>
<b>Operating Expenses:</b>	
Cost of Goods Sold	\$ 30,410,833
Operation & Maintenance	2,150,917
General & Administrative	3,019,126
Depreciation	1,925,772
Total Operating Expenses	<u>\$ 37,506,648</u>
Net Operating Income	<u>\$ (278,142)</u>
<b>Nonoperating Revenue (Expenses):</b>	
Interest Income	\$ 60,312
Interest and Fiscal Charges	(59,750)
Gain (Loss) from Disposition of Assets	<u>10,000</u>
Total Nonoperating Revenue (Expenses)	<u>\$ 10,562</u>
<b>Change in Net Position</b>	<u>\$ (267,580)</u>
Net Position - July 1	<u>40,350,554</u>
Net Position - June 30	<u><u>\$ 40,082,974</u></u>

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2021**

	<b>Carrollton Utilities Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 35,950,053
Payments to Suppliers	(31,549,410)
Payments to Employees	(1,853,819)
Receipts of Customer Meter Deposits	51,805
Refunds of Customer Meter Deposits	(46,208)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,552,421</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Contributions	\$ 766,871
Proceeds from the Sale of Capital Assets	20,845
Purchases of Capital Assets	(1,198,490)
Principal Paid on Capital Debt	(507,670)
Interest Paid on Capital Debt	(60,351)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (978,795)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Principal Received on Interlocal Debt	\$ 25,412
Interest and Fees Received on Interlocal Debt	8,264
Purchase of Certificates of Deposits	(39,647)
Redeemed Certificates of Deposits	4,005,285
Interest Received	51,886
Net Cash Provided (Used) by Investing Activities	<u>\$ 4,051,200</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 5,624,826
Balances-July 1	<u>2,997,679</u>
Balances-June 30	<u>\$ 8,622,505</u>

	<b>Balances Per June 30, 2021 Statement of Net Position</b>	<b>Balances Per June 30, 2021 Statement of Cash Flows</b>
Cash	\$ 7,794,132	\$ 7,794,132
Time Deposits	-	-
Restricted Cash	828,373	828,373
Restricted Time Deposits	-	-
Total	<u>\$ 8,622,505</u>	<u>\$ 8,622,505</u>

(Continued)

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2021**

	<u>Carrollton Utilities Enterprise Fund</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (278,142)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,925,772
Pension Expense	355,999
OPEB Expense	78,026
<b>Change in Assets and Liabilities:</b>	
Receivables, Net (Increase) Decrease	(1,351,709)
Other Receivables (Increase) Decrease	399,399
Prepaid Expenses (Increase) Decrease	(1,336)
Accounts and Other Payables Increase (Decrease)	1,380,729
Due to Other Funds Increase (Decrease)	(25,058)
Customer Meter Deposits Payable Increase (Decrease)	5,597
Accrued Expenses Increase (Decrease)	<u>63,144</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,552,421</u></u>

At June 30, 2021 Carrollton Utilities had \$8,078 outstanding construction retainage payable.

At June 30, 2020, Carrollton Utilities had \$83,755 outstanding construction retainage payable.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of entity: The City of Carrollton, Kentucky is a "home rule" city with population of approximately 4,000. It is operated under Kentucky Revised Statutes mayor/council form of government. The entity serves approximately 4,700 water, sewer and gas customers. The city complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Carrollton
Blended Component Units:	Utilities Commission of Carrollton

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

***Blended Component Units***

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same as or designated by the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type.

Component units that are blended into the reporting activity types of the City's report are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Utilities Commission of Carrollton (CU)	<p>The Commission operates a combined utilities system to provide residents of the City and certain outlying areas with natural gas, water, sanitary sewers, and sewage treatment facilities. The City's mayor appoints the Commissioners and also designates management of the Commission. The City Council approves the utility rates charged by the Commission. The long-term debt of the Commission is backed by the full faith and credit of the City and is, therefore, a contingent liability to the general government.</p> <p>The Cities of Carrollton, Glencoe, Sanders, Sparta, Owenton, Prestonville, Worthville, Campbellsburg, and Ghent and the Counties of Carroll, Gallatin, Owen, and Henry entered into interlocal agreements for the construction, operation and maintenance of a regional sewer facility. Under these agreements the City of Carrollton, through Carrollton Utilities, owns and operates the system. In recognition of Carrollton's ownership of the completed facility, and its operation of same through its Enterprise Fund (Carrollton Utilities), the transactions of the regional sewer are included in the financial statements as part of that fund.</p>	Enterprise Fund

**Joint Venture:**

The Carroll County/E-911 Advisory Committee was established under an interlocal agreement between Carroll County Fiscal Court and the City of Carrollton in March 2018 to operate the E-911 Dispatch. The Committee has ten members. Under the interlocal agreement Carroll County and the City of Carrollton share the costs of administering the E-911 Dispatch equally. Carroll County's telephone 911 surcharge tax and E-911 wireless tax are placed in a restricted fund held by the Carroll County Treasurer and distributed equally to the general funds of Carroll County and the City of Carrollton bi-annually on January 15 and July 15 of each year. Dispatchers and other personnel employed by the E-911 system are City of Carrollton employees. Equipment is owned and maintained jointly. Fiscal court remits its share of expenses monthly. The Carroll County/E-911 Advisory Committee does not produce separate financial statements.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.A. FINANCIAL REPORTING ENTITY (Continued)**

**Excluded from the reporting entity:**

Carrollton Housing Authority – This potential component unit has a separate appointed board and provides services to residents, generally within the geographic boundaries of the City. It is excluded from the reporting entity because the City does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Carrollton-Carroll County, Kentucky Recreation and Tourism Commission – This potential component unit has been appointed jointly by the area governments' governing bodies. It is an independent unit that selects management staff, establishes budgets and controls all aspects of its daily activities.

Public Energy Authority of Kentucky (PEAK) – formerly PEAK, Inc. – This potential component unit is a Kentucky nonprofit corporation created by the cities of Carrollton and Henderson, Kentucky, under the provisions of Kentucky Revised Statutes, Sections 273.161 through 273.390, Sections 65.210 through 65.300 and Section 58.180, as amended, and the Public Energy Authority of Kentucky, Inc. Interlocal Agreement dated March 1, 2003. Effective September 5, 2008 under the Natural Gas Acquisition Authority Act of the State of Kentucky, PEAK Inc. was converted into the Public Energy Authority of Kentucky (PEAK). The newly created entity assumed all assets, liabilities, and on going operations of PEAK Inc. PEAK was created for the purposes of providing gas acquisition, delivery and other related services to the Cities and other public agencies that may become signatories to the Interlocal Agreement (the Members). PEAK is excluded from the reporting entity because of the following: (i) It has a 4-member Board of Directors, which is appointed by the Membership; (ii) PEAK is a separate legal entity; and (iii) It is fiscally independent in that its budgets and charges are determined without substantive member approval.

**1.B. BASIS OF PRESENTATION**

***Government-wide Financial Statements:***

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

***Government-wide Financial Statements: (Continued)***

to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements:***

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

***General Fund***

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

***Special Revenue Funds***

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

***Capital Project Funds***

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Proprietary Fund**

***Enterprise Fund***

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Carrollton Utilities Commission Enterprise Fund.

**Fiduciary Funds (Not included in government-wide statements)**

None

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b> General Fund	See above for description.
<b>Proprietary Fund:</b> Carrollton Utilities	Accounts for activities in providing water, wastewater, and gas services to the public.
<b>Nonmajor:</b> <b>Special Revenue Funds:</b> L.G.E.A. Fund	Accounts for revenues and expenditures from the state mineral severance tax.
Municipal Road Aid	Accounts for revenues and expenditures from the state gasoline tax.
Shop With A Cop Fund	Accounts for contributions and expenditures associated with the Police Department's community service program for underprivileged children.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include insurance license taxes, franchise taxes, and amounts due from other governments. Business-type activities report utility billing and gas activities as their major receivables.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY  
(Continued)**

**Receivables (Continued)**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as insurance license tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable, gas supply project receivables, and construction grants comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the proprietary fund financial statements, Interlocal Receivables are recorded for amounts due under Interlocal Agreements with other governmental entities who were subrecipients of loan proceeds from the Kentucky Infrastructure Authority. Such proceeds were used by those entities to fund various improvement projects.

**Inventories**

The cost of consumable materials and supplies on hand are immaterial to the financial statements. The proprietary fund reports materials on hand at year-end as part of construction in process. At June 30, 2021, there was \$41,124 included in construction in process.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair value at the date of donation. The City maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1989.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Only major general infrastructure assets acquired, significantly reconstructed, or significantly improved in fiscal years ending after June 30, 1980 have been included. These assets have been valued at estimated historical cost.

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

- Buildings	25-40 years
- Improvements	20-25 years
- Machinery and Equipment	4-20 years
- Utility System	20-60 years
- Infrastructure	25 years

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY  
(Continued)**

**Fixed Assets (Continued)**

***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Restricted Assets**

Restricted assets include cash of the proprietary fund that is legally restricted as to use. The primary restricted cash assets are related to debt obligation accounts and utility meter deposits.

**Capital Lease Expenses**

Proprietary Fund capital lease fees are expensed as incurred.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Debt Issuance Costs are expensed as incurred.

**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 Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

**Post Employment Benefits Other Than Pensions**

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 Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred Outflows of Resources and Deferred Inflows of Resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY  
(Continued)**

**Compensated Absences**

Under the City's policies employees accumulate vacation time. Unused vacation time cannot be carried into the next calendar year. A portion of accumulated sick leave is available to employees at retirement. Employees are not paid for accumulated sick leave upon other termination. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. 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 it is incurred.

**Equity Classifications**

***Government-wide Statements***

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

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

***Fund Statements***

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b. Restricted – amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.
- c. Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. This is the residual fund balance classification for all governmental funds except the general fund.

The City Council is the City's highest level of decision making authority. Formal approval of a motion made at a public meeting of the City Council is necessary to establish (and modify or rescind) a fund balance commitment or assignment.

- e. Unassigned – this is the residual classification for the general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, insurance license taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Insurance license taxes are recognized to the extent known in the period for which the insurance company reports the fee collected. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Property Tax**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year.

Property taxes receivable and deferred revenues are recognized when an enforceable legal claim has arisen.

Property tax revenues are recognized when they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within sixty days after year end. An allowance for uncollectible delinquent property taxes is provided to the extent that their collectibility is improbable. Due to the immaterial amount of any additional property taxes receivable after the sixty-day period, no additional accrual is made in the government-wide financial statements.

**Insurance License Tax**

The City levies an 8% (eight percent) license fee upon each insurance company which issues insurance policies on the lives of persons residing within the corporate limits of the City of the first year's premiums actually collected.

The City levies an 8% (eight percent) license fee upon each insurance company which issues any insurance policy which is not a life insurance policy of the premiums actually collected for policies on risks located within the corporate limits of the City. The tax imposed upon premium receipts is not levied upon premiums received for insuring employers against personal injuries to their employees, or death caused thereby, under the provisions of the Workers Compensation Act, or health insurance provided for state employees under KRS 18A.225(2). Insurance license fees are payable to the City within 30 (thirty) days after the end of each calendar quarter.

**PEAK Project Returns**

In consideration of the City's participation in the long-term gas supply projects through the Public Energy Authority of Kentucky, the City receives monthly and annual returns. The annual return is based on deemed excess revenues of the project, total gas supply sold to all project participants, and the amount of gas purchased by the City. Annual returns are not guaranteed. PEAK revenues also include payments due on project contract amendments in the general fund.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund-By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The City adheres to the use restrictions established by Kentucky Revised Statutes when expenses are incurred for which both restricted and unrestricted net position is available. The City has no policy defining which resources (restricted or unrestricted) to use first. Restricted, committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for the purpose of such classifications.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local governmental unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring separate accounting or use of separate funds. Those funds requiring separate accounting used by the City include the following:

<b><u>Fund</u></b>	<b><u>Required By</u></b>
Municipal Road Aid	State Law
L.G.E.A.F.	State Law

**2.B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds. As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**2.B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS (Continued)**

KRS 66.480 authorizes the City to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The City may also invest in mutual funds meeting the requirements of the statute.

**2.C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Municipal Road Aid	Street & Alley Purposes
County Dispatch Revenue	E-911 Emergency Services Purposes
Water, Sewer, and Gas Revenue	Debt Service and Utility Operations
Law Enforcement Grants	Police Programs/Salaries
Local Government Economic Assistance Funds	Approved Expenditures
State Fire Aid	Fire Equipment Expenditures
KY Department of Local Government – Coronavirus Relief Fund	Reimbursement of Eligible Costs
Federal Emergency Management Agency	Approved Grant Expenditures – Flood Damage
Kentucky 911 Services Board Grants (CMRS)	PSAP E911 Host/Remote Project
	CAD Equipment and Software
Federal Economic Development Act	Approved Grant Expenditures – Sewer Lines

For the year ended June 30, 2021, the City complied, in all material respects, with these revenue restrictions.

**2.D. DEBT RESTRICTIONS AND CONVENANTS**

**Kentucky Infrastructure Authority Maintenance, Replacement Reserve** – Loans AO1-03, B99-03, AO5-01, B08-06, F11-15, F13-007, and F14-013.

Funded Maintenance, Replacement Reserve Accounts are required by the City's Assistance Agreements AO1-03, B99-03, AO5-01, B08-06, F11-15, F13-007, and F14-013, with the Kentucky Infrastructure Authority. Under the agreements, the City must deposit into these accounts \$8,000 annually, \$236 semi-annually, \$30,000 annually, \$2,250 annually, \$5,100 annually, \$4,100 annually and \$2,400 annually, until the amounts accumulated on deposit are equal to \$80,000, \$5,610, \$300,000, \$22,500 and \$51,000, respectively. The reserve accounts for agreements AO1-03, B99-03, AO5-01, B08-06, F11-15, F13-007, and F14-13 are fully funded. The reserve for B08-06, F11-15, F13-007, and F14-013 were fully funded upon inception.

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

City of Carrollton, Kentucky's policies regarding deposits of cash are in accordance with the state statutes. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2021, in accordance with the City's policy \$8,316,250 of the City's deposits were covered by federal depository insurance and \$4,525,054 respectively, were collateralized by securities held by the pledging financial institution's agent in the City's name.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Cash and cash equivalents and investments at June 30, 2021, consisted of the following:

**Governmental Activities**

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 16,484	\$ 2,484
Time/Savings Deposits	4,099,549	3,826,575
Total Deposits	<u>\$ 4,116,033</u>	<u>\$ 3,829,059</u>

**Business-type Activities**

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 8,725,271	\$ 8,621,255
Time/Savings Deposits	-	-
Total Deposits	<u>\$ 8,725,271</u>	<u>\$ 8,621,255</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Reconciliation to Statement of Net Position			
Cash, including Time Deposits	\$ 3,830,707	\$ 7,794,132	\$ 11,624,839
Restricted Cash, including Time Deposits	-	828,373	828,373
	<u>\$ 3,830,707</u>	<u>\$ 8,622,505</u>	<u>\$ 12,453,212</u>
 Total Carrying Value	 \$ 3,829,059	 \$ 8,621,255	 \$ 12,450,314
Plus: Cash on Hand	1,648	1,250	2,898
	<u>\$ 3,830,707</u>	<u>\$ 8,622,505</u>	<u>\$ 12,453,212</u>

**3.B. RESTRICTED ASSETS**

Restricted assets consist of the following:

	<u>Cash</u>
KIA Loan Reserve Accounts	\$ 607,418
Customer Deposits	220,955
Total	<u>\$ 828,373</u>

In addition to these restrictions, the Utility Commission has internally designated demand deposits of \$560,000 as reserved to mitigate the risk associated with industrial sales.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consists of utilities revenue receivable. Accounts receivable of the governmental activities consists of franchise tax (28%) insurance licenses (64%), business licenses (6%) and other (2%) receivables. Receivables detail at June 30, 2021, is as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Accounts receivable	\$ 265,051	\$ 3,318,990	\$ 3,584,041
Allowance for doubtful accounts	(11,126)	(18,129)	(29,255)
Net accounts receivable	<u>\$ 253,925</u>	<u>\$ 3,300,861</u>	<u>\$ 3,554,786</u>

**3.D. OTHER RECEIVABLES**

Other Receivables of the business type activities consists of 98.5% gas supply contract payments receivable from PEAK. Of the \$3,087,397, \$1,864,764 will be received within one year. The remaining \$1,222,633 will be received over the remaining life of the TEAC gas supply project.

**3.E. INTERLOCAL RECEIVABLE**

The City of Carrollton f/b/o Carrollton Utilities entered into interlocal agreements with West Carroll Water District and Carroll County Water District under which West Carroll Water District and Carroll County Water District were the subrecipients of loan proceeds from the Kentucky Infrastructure Authority with loan forgiveness provisions to fund various system improvement projects. The City of Carrollton f/b/o Carrollton Utilities was the recipient of the loan proceeds. Carrollton Utilities was also the entity overseeing the engineering and construction contracts, and other general costs associated with the projects. West Carroll Water District and Carroll County Water District, under the interlocal agreements, have agreed to pay Carrollton Utilities for the portion of the debt associated with improvements made to their respective distribution systems. Interlocal receivables are presented in the Statement of Net Position to represent the amounts due from West Carroll Water District and Carroll County Water District to the City of Carrollton f/b/o Carrollton Utilities as follows:

<u>Project:</u>	<u>District:</u>	<u>Original Balance of KIA Loan</u>	<u>Debt Forgiveness</u>	<u>Net Loan To District</u>	<u>Interlocal Agreement Balance June 30, 2021</u>
Countywide Underserved	West Carroll Water	\$ 881,877	\$ 308,657	\$ 573,220	\$ 463,151
Carroll County Interconnect	West Carroll Water	\$ 44,310	\$ 11,077	\$ 33,233	\$ 27,685
Carroll County Interconnect	Carroll County Water	\$ 301,721	\$ 75,430	\$ 226,291	\$ 185,027

**3.F. INTERFUND TRANSACTIONS AND BALANCES**

Interfund balances reported in the financial statements at June 30, 2021, consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Enterprise Fund	\$ 2,314,184	Sanitation Receipt Reimbursements/ PEAK Returns
Total		<u>\$ 2,314,184</u>	

Of the \$2,314,184 due from the City's proprietary fund to the General Fund, \$1,282,865 is anticipated to be received within one year. The remaining \$1,031,319 is subject to the policies and contracts surrounding long term gas contracts and will be paid to the General Fund as these conditions are met. Separately, a project gas supply credit payable has been recorded in the amount of \$1,031,319 to reflect the estimated percentage portion payable to long-term gas supply contract customers subject to contract terms and conditions.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.G. CAPITAL ASSETS**

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

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
<b><u>Governmental Activities:</u></b>				
Land	\$ 1,114,102	\$ -	\$ -	\$ 1,114,102
Buildings & Improvements	4,632,445	98,700	(12,053)	4,719,092
Machinery & Equipment	3,482,234	269,626	(85,687)	3,666,173
Infrastructure	3,818,600	172,507	-	3,991,107
Construction in Process	51,000	47,700	(98,700)	-
Totals at Historical Cost	<u>\$ 13,098,381</u>	<u>\$ 588,533</u>	<u>\$ (196,440)</u>	<u>\$ 13,490,474</u>
 <b>Less: Accumulated Depreciation</b>				
Buildings & Improvements	\$ 1,628,841	\$ 161,862	\$ (12,053)	\$ 1,778,650
Machinery & Equipment	2,335,480	214,671	(85,687)	2,464,464
Infrastructure	2,642,061	123,426	-	2,765,487
Total Accumulated Depreciation	<u>\$ 6,606,382</u>	<u>\$ 499,959</u>	<u>\$ (97,740)</u>	<u>\$ 7,008,601</u>
 <b>Governmental Activities - Capital</b>				
Assets, Net	<u>\$ 6,491,999</u>	<u>\$ 88,574</u>	<u>\$ (98,700)</u>	<u>\$ 6,481,873</u>

**Depreciation Expense was charged to governmental activities as follows:**

General Government	\$ 28,235
Public Safety	
E911 Dispatch	48,213
Fire Department	62,740
Police Department	59,329
Public Works	164,873
Parks & Recreation	134,669
Code Enforcement	1,900
Infrastructure (included with Public Works)	-
Total Depreciation Expense	<u>\$ 499,959</u>

Land and Construction in process are assets which are not depreciated. \$2,536,452 of depreciable assets are fully depreciated. Police department assets of \$19,376 are recorded under capital leases. Accumulated depreciation associated with these assets was \$14,532 at June 30, 2021.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.G. CAPITAL ASSETS (Continued)**

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
<b><u>Business-type Activities:</u></b>				
Land & Right of Ways	\$ 2,073,654	\$ -	\$ -	\$ 2,073,654
Structures & Improvements	9,439,308	-	-	9,439,308
Distribution System	52,547,639	364,331	(2,148)	52,909,822
Wells	815,727	-	-	815,727
Plant, Machinery & Equipment	8,059,607	617,859	(378,740)	8,298,726
Construction in Process	406,990	406,778	(266,155)	547,613
Totals at Historical Cost	<u>\$ 73,342,925</u>	<u>\$ 1,388,968</u>	<u>\$ (647,043)</u>	<u>\$ 74,084,850</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Structures & Improvements	\$ 3,188,088	\$ 265,572	\$ -	\$ 3,453,660
Distribution System	21,185,450	1,140,088	(1,091)	22,324,447
Wells	455,775	32,417	-	488,192
Plant, Machinery & Equipment	5,915,653	487,695	(368,952)	6,034,396
Total Accumulated Depreciation	<u>\$ 30,744,966</u>	<u>\$ 1,925,772</u>	<u>\$ (370,043)</u>	<u>\$ 32,300,695</u>
Business-type Activities Capital Assets, Net	<u>\$ 42,597,959</u>	<u>\$ (536,804)</u>	<u>\$ (277,000)</u>	<u>\$ 41,784,155</u>

**Depreciation Expense was charged to the Business-type Activities as follows:**

Gas	\$ 651,617
Water	320,630
Sewer	953,525
Total Depreciation Expense	<u>\$ 1,925,772</u>

Land, right of ways, and construction in process are capital assets not being depreciated. \$10,050,135 of depreciable assets are fully depreciated.

**3.H. LONG-TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities:**

**Capital Lease Obligation:**

Police equipment lease - \$19,376 through Axon Enterprises, Inc. Terms are: 5 years; non-interest bearing, secured by the underlying equipment. Initial payment of \$4,400; subsequent annual payments of \$3,744. Maturity, September, 2021.

Current Portion	\$ 3,744
Noncurrent Portion	-
Total Capital Lease Obligation	<u>\$ 3,744</u>

**Accrued Compensated Absences:**

Current Portion	\$ 61,733
Noncurrent Portion	18,987
Total Accrued Compensated Absences	<u>\$ 80,720</u>



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Business-type Activities:**

As of June 30, 2021, the long-term debt payable from proprietary fund resources consisted of the following:

**Notes Payable:**

Kentucky Infrastructure Authority represents a 30 year loan secured by sewer revenues. Interest is charged at 1.6% per annum. The original principal balance was \$112,200. Semi-annual payments with final maturity June 1, 2032.	\$ 47,473
Kentucky Infrastructure Authority represents a 20 year loan secured by sewer revenues. Interest is charged at the rate of 1.8%. The original principal balance was \$2,518,301. Semi-annual payments with final maturity December 1, 2022.	221,741
Kentucky Infrastructure Authority represents a 20 year loan secured by sewer revenues. Interest is charged at the rate of 1.0%. The original principal balance was \$4,288,600. Semi-annual payments with final maturity December 1, 2026.	1,277,392
Kentucky Infrastructure Authority represents a 20 year loan secured by sewer revenues. Interest is charged at the rate of 1.07%. The original principal balance was \$867,091. Semi-annual payments with final maturity December 1, 2032.	521,048
Kentucky Infrastructure Authority represents a 30 year loan secured by water revenues. Interest is charged at 1.00% per annum. In addition, a loan servicing fee of .25 percent of the annual outstanding loan balance is payable to the authority as a part of each interest payment. The original principal balance was \$1,977,731, reduced 35% by principal forgiveness of \$692,206. Semi-annual payments with final maturity December 1, 2044.	1,038,679
Kentucky Infrastructure Authority represents a 30 year loan secured by water revenues. Interest is charged at .75% per annum. In addition a loan servicing fee of .25 percent of the annual outstanding loan balance is payable to the authority as a part of each interest payment. The original principal balance was \$1,657,988, reduced by 25% principal forgiveness of \$414,497. Semi-annual payments with final maturity June 1, 2046.	1,055,141
Kentucky Infrastructure Authority represents a 30 year loan secured by water revenues. Interest is charged at .75% per annum. In addition a loan servicing fee of .25 percent of the annual outstanding loan balance will be payable to the authority as a part of each interest payment. The original principal balance was \$963,931, reduced by 50% principal forgiveness of \$481,965. Semi-annual payments with final maturity December 1, 2046.	416,386
Total Notes Payable	<u>\$ 4,577,860</u>
Current Portion	\$ 513,845
Noncurrent Portion	4,064,015
Total Notes Payable	<u>\$ 4,577,860</u>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Business Type Activities (Continued)**

**Accrued Compensated Absences:**

Current Portion	\$ 10,218
Noncurrent Portion	35,193
Total	<u>\$ 45,411</u>

**Changes in Long-term Debt**

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

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
<b><u>Type of Debt</u></b>					
<b>Governmental Activities</b>					
Capital Lease Obligation	\$ 7,488	\$ -	\$ 3,744	\$ 3,744	\$ 3,744
Accrued Compensated Absences	95,828	74,141	89,249	80,720	61,733
Total General Long-term Debt	<u>\$ 103,316</u>	<u>\$ 74,141</u>	<u>\$ 92,993</u>	<u>\$ 84,464</u>	<u>\$ 65,477</u>
<b>Business-type Activities</b>					
Note Payable	\$ 5,085,530	\$ -	\$ 507,670	\$ 4,577,860	\$ 513,845
Accrued Compensated Absences	39,154	132,550	126,293	45,411	10,218
Total Enterprise Fund Debt	<u>\$ 5,124,684</u>	<u>\$ 132,550</u>	<u>\$ 633,963</u>	<u>\$ 4,623,271</u>	<u>\$ 524,063</u>

**Description of Debt Activity:**

**Business-type Activities**

**Notes Payable to Kentucky Infrastructure Authority**

On October 18, 2002, Carrollton Utilities closed a \$112,200 loan with Kentucky Infrastructure Authority that provided financing for the extension of sewer service to industrial sites on U.S. Highway 42. The first amortized payment commenced on December 1, 2002.

On March 19, 2003, Carrollton Utilities closed a \$2,518,301 Kentucky Infrastructure Authority loan that provided financing for the Regional Sewer Project. The first amortized payment commenced on June 1, 2003.

In March, 2010, Carrollton Utilities closed a \$4,288,600 Kentucky Infrastructure Authority loan that provided financing for the Wastewater Treatment Plant Project. The first amortized payment commenced on June 1, 2007.

In April, 2013, Carrollton Utilities closed a \$867,091 Kentucky Infrastructure Authority Loan that provided financing for the Eagle Creek Sewer Extension Project. The first amortized payment commenced on June 1, 2013.

In 2015, Carrollton Utilities closed a \$1,977,731 Kentucky Infrastructure Authority loan that provided financing for the Countywide Underserved Project under which improvements were made to the distribution systems of both Carrollton Utilities and West Carroll Water District. The loan contained a principal forgiveness clause in the amount of thirty-five percent (35%). An interlocal receivable from the West Carroll Water District was recorded in the amount of \$881,877 less the District's share of the principal forgiveness recognized, \$308,657, to account for the West Carroll Water District's portion of the loan. Principal forgiveness for Carrollton Utilities was recognized in the amount of \$383,549, in prior years. The first amortized payment commenced on June 1, 2015.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Description of Debt Activity: (Continued)**

**Business-type Activities (Continued)**

**Notes Payable to Kentucky Infrastructure Authority (Continued)**

On September 30, 2016, Carrollton Utilities closed a loan with Kentucky Infrastructure Authority for \$1,657,988. The loan provided financing for the Carroll County Interconnect Project to provide interconnections between Carrollton Utilities, Carroll County Water District, and West Carroll Water District. The loan contained a principal forgiveness clause in the amount of twenty-five percent (25%). An interlocal receivable from the West Carroll Water District was recorded in the amount of \$44,310 less the District's share of principal forgiveness of \$11,077. An interlocal receivable from the Carroll County Water District was recorded in the amount of \$301,721 less loan forgiveness of \$75,430. Principal forgiveness of \$327,990 for Carrollton Utilities was recognized in prior years.

A loan with Kentucky Infrastructure Authority for \$963,931 closed on August 9, 2018. The loan provided financing for the Focusing on Core Missions Project, to provide distribution system improvements for Carrollton Utilities and system improvements to Carroll County Water District #1, West Carroll Water District, and Henry County Water District #2. All interlocal receivables for the Focus Project have been received in full. Principal forgiveness of \$389,516 for Carrollton Utilities was recognized in prior years.

Upon the occurrence of an event of default, the Kentucky Infrastructure Authority shall be entitled to the appointment of a receiver of the System and all receipts therefrom. The Kentucky Infrastructure Authority may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the City defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by the Kentucky Infrastructure Authority.

The combined obligations of the outstanding notes at June 30, 2021 are as follows:

<b>Fiscal Year</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>Servicing Fee</b>	<b>Total Payment</b>	<b>Balance at End of Year</b>
					\$ 4,577,860
2021-22	\$ 513,845	\$ 42,969	\$ 10,143	\$ 566,957	4,064,015
2022-23	444,853	36,713	9,066	490,632	3,619,162
2023-24	373,908	32,410	8,202	414,520	3,245,254
2024-25	377,576	28,742	7,405	413,723	2,867,678
2025-26	381,280	25,037	6,600	412,918	2,486,398
2026-31	864,729	90,106	25,011	979,846	1,621,669
2031-36	590,586	56,755	16,597	663,938	1,031,083
2036-41	536,777	33,428	9,893	580,098	494,306
2041-46	485,354	10,293	3,145	498,792	8,952
2046-47	8,952	33	11	8,996	-
	<u>\$ 4,577,860</u>	<u>\$ 356,486</u>	<u>\$ 96,073</u>	<u>\$ 5,030,420</u>	<u>\$ -</u>

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal, interest, fiscal charges and servicing fees for long-term debt as of June 30, 2021 are as follows:

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Annual Debt Service Requirements (Continued)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest &amp; Fiscal Charges</b>	<b>Principal</b>	<b>Interest &amp; Fiscal Charges</b>
2021-22	\$ 3,744	\$ -	\$ 513,845	\$ 53,112
2022-23	-	-	444,853	45,779
2023-24	-	-	373,908	40,612
2024-25	-	-	377,576	36,147
2025-26	-	-	381,280	31,637
2026-31	-	-	864,729	115,117
2031-36	-	-	590,586	73,352
2036-41	-	-	536,777	43,321
2041-46	-	-	485,354	13,438
2046-47	-	-	8,952	44
Total	<u>\$ 3,744</u>	<u>\$ -</u>	<u>\$ 4,577,860</u>	<u>\$ 452,559</u>

**3.I. INTEREST EXPENSE AND FISCAL CHARGES**

Interest expense and fiscal charges for the Enterprise Fund for the year ended June 30, 2021, was \$59,750.

**3.J. FUND EQUITY**

**Restricted Net Position**

The following table shows the restricted net position as shown on the Statement of Net Position:

**Governmental Activities**

<b>Activity</b>	<b>Restricted by</b>	
<b>Other Purposes:</b>		
Municipal Road Aid	State Law	\$ 10,128
L.G.E.A.F.	State Law	21,187
		<u>\$ 31,315</u>

**Business-type Activities**

**Restricted for Debt Service:**

Kentucky Infrastructure Authority (KIA) Notes Payable	\$ 607,418
Cash & Investments	(4,579)
Less: Accrued Interest Payable	<u>\$ 602,839</u>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.J. FUND EQUITY (Continued)**

**Fund Balance Classifications**

The following classifications of fund balance on the Governmental Funds Balance Sheet (Fund Financial Statement) have been made:

Restricted for the following purposes under Kentucky Statutes:

**Other Governmental Funds:**

Municipal Road Aid	\$ 10,128
L.G.E.A.F.	21,187
	<u>\$ 31,315</u>

Total Restricted Fund Balance	<u>\$ 31,315</u>
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Committed for the following purposes by ordinance, resolution or contract by action of the City Council:

**General Fund:**

Equipment Acquisition and Matching Funds -

Kentucky E-911 Services Grants	\$ 20,865
	<u>\$ 20,865</u>

Assigned for expenditures associated with the Shop with a Cop program as constrained to that purpose:

**Other Governmental Funds:**

Shop with a Cop	\$ 11,938
Total Assigned	<u>\$ 11,938</u>

Unrestricted net position of the governmental funds and proprietary fund was reduced by \$546,580 and \$434,025 respectively, as a result of the transactions recorded by the City to reflect its proportionate share of the County Employees Retirement System's Net Pension and Net OPEB Liabilities. The accounts affected were as follows:

	<b>Governmental Funds</b>	<b>Proprietary Fund</b>
Increase (Decrease) in Deferred Outflows of Resource: \$	81,880	\$ (9,926)
(Increase) Decrease in Deferred Inflows of Resources	151,082	(101,541)
(Increase) Decrease in Net Pension Liability	(371,500)	20,527
(Increase) Decrease in Net OPEB Liability	(408,042)	(343,085)
Net Decrease in Unrestricted Net Position	<u>\$ (546,580)</u>	<u>\$ (434,025)</u>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN)**

The City of Carrollton participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees.

Under the provision of Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. Under the provisions of Kentucky Revised Statute ("KRS") Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for an insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the pension funds administered by KRS, which includes CERS.

Under the provisions of HB 484 passed in the 2020 General Assembly, which adjourned on April 15, 2020, the current administrative structure was changed creating a new 9-member CERS Board with oversight and governance responsibility for the CERS plan(s). The Kentucky Public Pensions Authority (KPPA) is a new 8-member Board, which will be responsible for the day to day administrative, legal, operational, and investment aspects of all KRS plans including CERS.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS's pension and insurance funds. Additionally, the Kentucky Retirement System issues publicly available financial reports that include the Schedules of Employer Allocations and Pension amounts, and the Schedules of Employer Allocations of Post Employment Benefits Other Than Pension amounts, by employer. The most recent financial reports, may be obtained on-line as follows:

- Kentucky Retirement Systems Audit Report – 2020  
[https://kyret.ky.gov/Publications/Books/2020%20CAFR%20\(Comprehensive%20Annual%20Financial%20Report\).pdf](https://kyret.ky.gov/Publications/Books/2020%20CAFR%20(Comprehensive%20Annual%20Financial%20Report).pdf)
- KRS Schedules of Employer Allocations & Pension Amount by Employer for the Fiscal Year Ended June 30, 2020  
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2020%20GASB%2068%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- KRS Schedules of Employer Allocations & OPEB Amounts by Employer for the Fiscal Year Ended June 30, 2020  
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2020%20GASB%2075%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- Kentucky CERS GASB 68 Accounting & Financial Reporting for Pensions as of June 30, 2020 (Actuarial Report)  
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2020%20GASB%2068%20Actuary%20Report%20CERS.pdf>
- Kentucky CERS GASB 75 Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions as of June 30, 2020 (Actuarial Report)  
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2020%20GASB%2075%20Actuary%20Report%20CERS.pdf>

**Basis of Accounting** – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

**Method Used to Value Investments/Investment Objectives** – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

KRS' gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- Shorter-Term (5 years and less): The returns of the particular asset classes of the managed funds of the Systems, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio composed of comparable unmanaged market indices.
- Medium-Term (5 to 20 years): The returns of the particular asset classes of the managed funds of the Systems, measured on a rolling year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe if there is one.
- Longer-Term: The total assets of the Systems should achieve a return of 6.25% for CERS pension and insurance plans. This is measured over 20 years and beyond and should exceed the actuarially required rate of return as well as the return achieved by its total fund benchmark.

Target Asset Allocation – Pension and Insurance as of June 30, 2020:

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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 tables below.

The long-term expected real rate of return was 3.96% at June 30, 2020.

	Target Asset Allocation	Long-Term Expected Rate of Return
	2020	2020
Combined Equity	52.50%	3.90%-5.25%
Combined Fixed Income	13.50%	-0.25%
Private Equity	10.00%	6.65%
Real Return	15.00%	3.95%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Cash	1.00%	-0.75%
	<u>100.00%</u>	<u>3.96%</u>

- The investment portfolio for the Pension Funds reported a net return of 1.15% for the fiscal year 2020 compared to 5.83% return for fiscal year 2019. The investment portfolio for the Insurance Fund reported a net return of 0.48% for the fiscal year, which was lower than fiscal year 2019 net return of 5.67%. The investment return was below the 6.25% assumed rate of return.

**PENSION PLAN DESCRIPTION** – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS along with hazardous duty positions of each participating county, city, or school board, any additional eligible local agencies electing to participate in CERS. 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. Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011. The City of Carrollton, Kentucky participates in the non-hazardous plan.

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

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

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.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Under the provisions of House Bill 271 surviving spouses of members who die due to a duty related injury will no longer have their monthly benefit reduced, if they remarry. The bill restores the original benefit for spouses already remarried and increases benefits for beneficiaries who chose to receive lifetime monthly benefits in lieu of the line-of-duty survivor benefits to the amount calculated under the line of duty survivor provisions.

**Contributions** - Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding 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 bases adopted by the Board. For the fiscal year ended June 30, 2020 participating non-hazardous employers contributed 24.06% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2020 was 27.28%. Administrative costs of KRS are financed through employer contributions and investment earnings.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period July 1, 2018 to June 30, 2028.

Non-hazardous employer contributions of 24.06% for the year ended June 30, 2020, were allocated 19.30% to CERS's pension fund and 4.76% to CERS's OPEB (health insurance).

For the fiscal year ended June 30, 2020 plan members who began participating prior to September 1, 2008, were required to contribute 5% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits. Plan members who began participating on, or after, September 1, 2008 and before January 1, 2014, were required to contribute a total of 6% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%.

If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, for plan members who began participating on, or after, September 1, 2008, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. 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. Non-hazardous members contribute 5%, of their annual creditable compensation and an additional 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30<sup>th</sup> of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the systems' GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30<sup>th</sup> of the previous year (Upside Sharing Interest). It is possible that one system in KRS may get an Upside Sharing Interest, while one may not.

The 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount are considered an OPEB asset.

***Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (Pension Plan)***

Per the Kentucky Retirement System's 2020 Comprehensive Annual Financial Report, the actuarially determined contribution rates effective for fiscal year ending 2020 are calculated as of June 30, 2018. Based on the June 30, 2018 actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are as follows:

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (Pension Plan) (Continued)***

Item	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	25 Years, Closed
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 11.55%, varies by service
Mortality:	RP-200 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).  For healthy retired members and beneficiaries, the mortality table used is the RP Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 combined disabled mortality table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

***Actuarial Methods and Assumptions Used in Calculation of the Actuarially Determined Total Pension Liability and Net Pension Liability***

The net position liability as of June 30, 2020, is based on the June 30, 2019 actuarial valuation rolled forward. The total pension liability, net pension liability and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the measurement date at June 30, 2020, using generally accepted actuarial principles.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Actuarial Methods and Assumptions Used in Calculation of the Actuarially Determined Total Pension Liability and Net Pension Liability (Continued)***

There have been no assumption changes since June 30, 2019. Senate bill 249 passed during the 2020 Legislative Session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting June 1, 2020.

The actuarial assumptions are:

June 30, 2020

Inflation	2.30%
Salary Increases	3.30% - 10.30% varies by service
Investment Rate of Return	6.25%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2020 were as follows. The mortality table used for active members was a Pub-2010 General Mortality table for the Non-hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Under the provisions of House Bill 271 surviving spouses of members who die due to a duty related injury will no longer have their monthly benefit reduced, if they remarry. The bill restores the original benefit for spouses already remarried and increases benefits for beneficiaries who chose to receive lifetime monthly benefits in lieu of the line-of-duty survivor benefits to the amount calculated under the line-of-duty survivor provisions.

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous for the year ended June 30, 2020 assumes that the fund received the required employer contributions each future year, as determined by the current funding policy established in statute, as last amended by House Bill 362 (passed in 2018).

The discount rate does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KRS Comprehensive Annual Financial Report.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension***

At June 30, 2021 the City reported a (Government-wide) liability of \$8,828,535 [\$4,219,912 governmental funds and \$4,608,623 proprietary fund] for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2020 and was based on the actual liability of the employees and former

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension (Continued)***

employees relative to the total liability of the system as determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020 the City's Governmental Funds proportion was 0.055019 percent, which is an increase of 0.0003% for the year. At June 30, 2020 the City's Proprietary Fund's proportionate share was 0.060087%, which is an decrease of 0.005733% for the year.

The total payroll of the City's Governmental Funds for the year ended June 30, 2021 was \$1,721,105. Contributions to the CERS were based on \$1,449,336 (covered payroll). The total employer pension contributions for the year ended June 30, 2021 were \$279,722.

The total payroll of the City's Governmental Funds for the year ended June 30, 2020 was \$1,646,957. Contributions to the CERS were based on \$1,409,297 (covered payroll). The total employer pension contributions for the year ended June 30, 2020 were \$271,995.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2021 was \$1,869,166. Contributions to the CERS were based on \$1,662,977 (covered payroll). The total employer pension contributions for the year ended June 30, 2021 were \$321,528.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2020 was \$1,830,969. Contributions to the CERS were based on \$1,539,118 (covered payroll). The total employer pension contributions for the year ended June 30, 2020 were \$297,050.

All contributions were made as required.

The City's Governmental and Proprietary Funds' contributions to the County Employees' Retirement System for the year ended June 30, 2020 were 0.055019% and 0.060087%, respectively, of the system's total contribution requirements for all employers.

For the year ended June 30, 2021 the City recognized total pension expense of \$1,410,716 (\$733,189 Governmental Funds and \$677,527 Proprietary Fund, respectively). At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension from the following sources:

	June 30, 2021			
	Governmental Funds		Proprietary Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 105,231	\$ -	\$ 114,924	\$ -
Change in Assumptions	164,780	-	179,959	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	106,614	-	81,436	237,797
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	182,919	77,321	199,768	84,443
District Contributions Made Subsequent to the NPL Measurement Date	279,722	-	321,528	-
Total	<u>\$ 839,266</u>	<u>\$ 77,321</u>	<u>\$ 897,615</u>	<u>\$ 322,240</u>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension (Continued)***

\$601,250 (\$279,722 Governmental Funds and \$321,528 Proprietary Fund, respectively) reported as deferred outflows of resources related to pensions arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2022. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred inflows and outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

	<u>Governmental Funds</u>		<u>Proprietary Fund</u>	
	<u>Increase (Decrease) to Pension Expense</u>		<u>Increase (Decrease) to Pension Expense</u>	
<b>Year Ended June 30, 2021:</b>				
2022	\$	242,397	\$	137,893
2023		145,022		29,399
2024		52,393		40,237
2025		42,411		46,318
	\$	<u>482,223</u>	\$	<u>253,847</u>

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

The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020] calculated using the discount rate of 6.25% for the year ended June 30, 2020, as well as what CERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2021</u>	<u>1% Decrease [5.25%]</u>	<u>Current Discount [6.25%]</u>	<u>1% Increase [7.25%]</u>
Net Pension Liability	\$ 9,458,676,903	\$ 7,669,917,211	\$ 6,188,756,202
City's Proportionate Share	10,887,504	8,828,535	7,123,630

The discount rate determination does not use a municipal bond rate.

***Payable to the Pension Plan***

At June 30, 2021, the City reported a payable of \$29,578 for the outstanding amount of contributions required for the year then ended. The amount represents the employee withholding and employer match for the last month of the years then ended.

**OPEB PLAN**

**Insurance (OPEB) Plan Description** – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

**INSURANCE (OPEB) PLAN DESCRIPTION (Continued)**

contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. A portion of the insurance premiums are withheld from benefit payments for members including those of the CERS Non-Hazardous system.

***Contributions***

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Non-Hazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provision of Kentucky Revised Statutes 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The Insurance Fund pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

For members participating on or after July 1, 2003, for CERS Non-Hazardous members, the dollar contribution for fiscal year 2020 was \$13.58.

For the fiscal year ended June 30, 2020, plan members who began on, or after, September 1, 2008 (classified in the Tier 2 or Tier 3 structure of benefits) were required to contribute 1% of their annual creditable compensation to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E), which is considered an OPEB asset.

If a member terminates employment the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Participating employers are required to contribute at an actuarially determined rate as described previously.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (OPEB)***

Per the Schedule of Employer Allocations and OPEB Amounts by Employer for Kentucky Retirement Systems, *Report for Postemployment Benefits* prepared as of June 30, 2020, the actuarially determined contribution rates effective for fiscal year ending June 30, 2020, is calculated based on the actuarial methods and assumptions as follows:

Item	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Remaining Amortization Period:	25 Years, Closed
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% - 11.55% varies by service
Mortality:	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).
<i>Healthcare Trend Rates:</i>	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Phase-In Provision	Board Certified Rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Actuarial Methods and Assumptions to Determine the Total OPEB Liability and Net OPEB Liability***

The assumed increase in future health care costs, or trend assumptions was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children for all active members who die in the line of duty.

The actuarial assumptions used are:

	<b>CERS June 30, 2020 Non-hazardous</b>
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% - 10.30% varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Discount Rate***

The projection of cash flows used to determine the June 30, 2020 discount rate of 5.34% for CERS Non-hazardous, which is a decrease of 0.34% over the prior year assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 20, 2020.

The fully-insured premiums KRS pays for the CERS Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. The liability associated with this implicit subsidy is included in the calculation of the total OPEB liability.

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. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Kentucky Retirement System's CAFR.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan***

At June 30, 2021 the City (Government-wide) reported a Net OPEB liability of \$2,778,639 [\$1,328,155 governmental funds and \$1,450,484 proprietary fund].

The total payroll of the City's Governmental Funds for the year ended June 30, 2021 was \$1,721,105. Contributions to the CERS were based on \$1,449,336 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2021 were \$68,988.

The total payroll of the City's Governmental Funds for the year ended June 30, 2020 was \$1,646,957. Contributions to the CERS were based on \$1,409,297 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2020 were \$67,082.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2021 was \$1,869,166. Contributions to the CERS were based on \$1,662,977 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2021 were \$79,299.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2020 was \$1,830,969. Contributions to the CERS were based on \$1,539,118 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2020 were \$73,262.

All contributions were made as required.

The City's Governmental and Proprietary Funds' contributions to the County Employees' Retirement System for the year ended June 30, 2020 were 0.055033% and 0.060069%, respectively, of the System's total contribution requirements for all employers.

The implicit employer subsidy for the non-Medicare eligible retirees for the year ended June 30, 2020 was \$27,641 and \$30,187 for the governmental funds and proprietary fund, respectively.

For the year ended June 30, 2021 the City recognized total other post employments benefit (OPEB) expense of \$319,426 (\$162,101 governmental funds and \$157,325 proprietary fund, respectively). At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan (Continued)*

	June 30, 2021			
	Governmental Funds		Proprietary Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 221,907	\$ 222,080	\$ 242,345	\$ 242,535
Change in Assumptions	231,020	1,405	252,298	1,534
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	43,150	1,020	49,965	86,175
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	71,246	27,101	77,808	29,597
District Contributions Made Subsequent to the Net OPEB Measurement Date	68,988	-	79,299	-
Total	<u>\$ 636,311</u>	<u>\$ 251,606</u>	<u>\$ 701,715</u>	<u>\$ 359,841</u>

\$148,287 (\$68,988, Governmental Funds and \$79,299, Proprietary Fund, respectively) reported as deferred outflows of resources related to OPEB arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

Year Ended June 30, 2021	Governmental Funds		Proprietary Fund	
	Increase (Decrease)		Increase (Decrease)	
	to OPEB Expense		to OPEB Expense	
2022	\$	82,669	\$	70,577
2023		95,733		84,844
2024		70,683		57,520
2025		67,340		51,314
2026		(708)		(1,680)
Thereafter		-		-
	<u>\$</u>	<u>315,717</u>	<u>\$</u>	<u>262,575</u>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Payable to the OPEB Health Insurance Plan***

At June 30, 2021, the City reported a payable of \$7,295 for the outstanding amount of contributions required for the year then ended. This amount represents the employee withholding and employer match for the last month of the year then ended.

***Sensitivity of the City's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate***

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the single discount rate of 5.34% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2021</u>	<u>1% Decrease [4.34%]</u>	<u>Current Discount [5.34%]</u>	<u>1% Increase [6.34%]</u>
Net OPEB Liability	\$ 3,102,175,364	\$ 2,414,695,884	\$ 1,850,046,176
City's Proportionate Share	3,569,736	2,778,639	2,128,885

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the healthcare cost trend rate for the year ended June 30, 2020 as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2021</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,869,578,166	\$ 2,414,695,884	\$ 3,076,209,120
City's Proportionate Share	2,151,361	2,778,639	3,539,855

**4.B. RISK MANAGEMENT**

**Insurance and Related Activities**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks are covered through the purchase of commercial insurance through the Kentucky League of Cities. The City is also subject to the risks associated with employee injury. These risks are covered through premiums paid to Kentucky Employers' Mutual Insurance. Such coverage is retrospectively rated and premiums may be adjusted based on experience.

Due to the economic dependence of the City's utility system on gas purchases made by seven local industries, Carrollton Utilities is at risk for the financial impact on its cash flows and financial position from economic impacts on those industries that would affect each industry's ability to meet its obligations for such purchases. Credit risk insurance has been acquired to minimize this risk.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.C. COMMITMENTS & CONTINGENCIES**

Each employee is granted sick leave at the rate of eight hours per month up to a maximum of 1,040 hours. Employees shall not be paid for unused sick leave credit upon termination of employment, except that employees who retire and receive CERS retirement benefits may personally receive payment for unused sick leave for the same amount that CERS would charge for applying the accrued sick leave to extend retirement benefits. The total liability for accumulated sick leave at June 30, 2021 was \$560,904 [\$221,498 for the governmental fund and \$339,406 for the proprietary fund]. No accrual has been recorded in the financial statements due to the contingent nature of this liability.

The City was awarded grants totaling \$95,667 through the Kentucky office of Homeland Security for new or improved 911 support equipment in the Carrollton – Carroll County E-911 Dispatch. Matching Funds of \$10,630 were required. No funds had been expended prior to June 30, 2021.

The City was awarded a \$122,380 grant through the Kentucky All Services Board for the Geospatial Mapping. Matching Funds of \$13,600 are required (City's share \$8,050). The project was complete before year end; however, the grant reimbursement had not been received at June 30, 2021.

The City receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purposes, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Carrollton Utilities has access to storage as part of its transportation services with Texas Gas Transmission. Gas is withdrawn from its storage account during the winter period (November – February) to be replenished the following summer period (March – October). At June 30, 2021, Carrollton Utilities has an unpaid and accrued storage liability estimated to be \$341,948, based on actual cost following year end.

The Carrollton Utilities Commission has an operational agreement with West Carroll Water District. Under the agreement, Carrollton Utilities provides operation and maintenance of the West Carroll Water Distribution System, as well as, customer billing services, accounting functions, and other agreed related services. The annual compensation to Carrollton Utilities for providing these services has been set at \$248,178 for the 2020-2021 fiscal year.

The City has various pending claims or lawsuits. The ultimate disposition of any settlement or other legal decision is not determined at the present time.

**Long Term Gas Supply Arrangements**

**Public Energy Authority of Kentucky (Formerly Public Energy Authority of Kentucky, Inc.)**

The Public Energy Authority of Kentucky, Inc. (the Authority) is a nonprofit corporation organized in 2003 by the City of Carrollton, Kentucky, and the City of Henderson, Kentucky (collectively, the Cities), under the Provisions of Kentucky Revised Statutes, Sections 273.161 through 273.390, Section 65.210 through 65.300, and Section 58.180, as amended, and the Public Energy Authority of Kentucky, Inc. Interlocal Agreement dated March 1, 2003, for the purposes of providing gas acquisition, delivery and other related services to the Cities and other public agencies that may become signatories to the Interlocal Agreement (the Members). The Public Energy Authority of Kentucky, Inc. was the operating entity at July 1, 2008.

The Kentucky Legislature enacted the Natural Gas Acquisition Authority Act with the legislation effective on July 15, 2008. Effective September 5, 2008 the Public Energy Authority of Kentucky, Inc. was converted to the Public Energy Authority of Kentucky (the Authority). The Public Energy Authority of Kentucky is a Natural Gas Acquisition Authority under the Provisions of the Kentucky Revised Statutes, Section 353.400 through 353.410, as amended, and the Public Energy Authority of Kentucky Interlocal Agreement dated as of July 15, 2008, for the purposes of

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES**

**4.C. COMMITMENTS & CONTINGENCIES**

**Long Term Gas Supply Arrangements (Continued)**

**Public Energy Authority of Kentucky (Formerly Public Energy Authority of Kentucky, Inc.) (Continued)**

providing gas acquisition, delivery and other related services to the Cities and other public agencies that may become signatories to the Interlocal Agreement (the Members). The newly created Authority assumed all assets, liabilities, and ongoing operations of the Public Energy Authority of Kentucky, Inc. in 2008.

The Public Energy Authority of Kentucky has entered in Gas Sale Contracts with the Cities, other municipal utilities, and joint action agencies (the Participants) providing for the sale of specific quantities of gas. Under the terms of the various agreements, the Authority is guaranteed to receive agreed-upon quantities of gas over an initial period of 5 to 30 years. The Participants are obligated under the contracts to make payments to the Authority from revenues of their public gas utilities as an operating and maintenance expense and as a cost of purchased natural gas.

PEAK issues separate financial statements available through its administrative offices. Summarized totals for PEAK, from its audited financial statements for the year ended June 30, 2021, are as follows:

Assets and Deferred Outflows	\$ 5,556,075,437
Liabilities and Deferred Inflows	\$ 5,550,947,807
Total Net Position	\$ 5,127,630
Costs Recoverable from Future Billings (Included in Assets Above)	\$ 171,296,966

- \* The long-term gas supply contracts establish a pricing mechanism outlining the methods for billing Members and project participants for gas supply services provided under the contract. Expenses in excess of amounts currently billable to the Members and project participants will be recovered from future billings.

**Future Projects**

The Natural Gas 20/20 Expansion project (20/20 project) has a vision and a goal of expanding Carrollton Utilities (CU) system capacity to handle recent industrial customer expansions and a new expansion the by Nucor Corporation. While the Future is never clear, the 20/20 project will cast a vision of what the future may provide in the way of natural gas use and will allow CU the opportunity to be ready for current and future needs. Due to higher than expected bids, the project was revised with EDA approval.

The revised project will include:

1. 8,000 linear feet of 10" - .250 wall steel pipe running parallel to the 6" between Dow and 4-Mile Road as shown on the attached maps.
2. Blue Lick Regulator Station – Construct a regulator station on the 10" gas pipeline on Blue Lick Road just outside of Carrollton. The regulator station will be used to cut the pressure on the 10" back to distribution pressure (<340 psi). Work includes purchase of pre-fab station, installation of the station, tie-in to the existing 10" line and site work necessary for the installation.
3. Ancillary gas work including gas pre-heater installation, Wright's Ridge upgrades, piping and valving.

The total project cost estimate is \$4,160,556 with \$2,850,074 of the project eligible for EDA funding. The City of Carrollton has been approved for a financial assistance aware of \$1,425,037 as of December 1, 2021 through the U.S. Department of Commerce Public Work Program or 50% of the eligible EDA funding project cost. Carrollton Utilities will find the remainder of the project through the use of the own funds.

Carrollton Utilities is in the preliminary stages of a project to improve the wastewater treatment plant and upgrade the collection system capacity in the US 42 area. This project is in the pre-design phase.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**NOTE 4. OTHER NOTES (Continued)**

**4.D. Miscellaneous**

**Bad Debt Expense**

Utility revenue charges have been netted with an estimated bad debt expense of \$1,992, \$5,982, and \$19,154 for gas, water and sewer services, respectively.

**Income Tax Status**

The City is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

**Economic Dependence**

Carrollton Utilities Commission provides natural gas to residential, commercial, and industrial customers. It should be noted that 94.4% of the total gas revenue is received from eight industrial customers. As described in Note 4.C., all natural gas purchases are made through the Public Energy Authority of Kentucky (PEAK). \$27,987,314 of the \$30,410,833 gas cost of goods sold are for natural gas purchases, excluding related transportation costs. Additionally, 41.6% of the City's General Fund revenues are attributable to gas prepurchase agreements with PEAK.

**Related Party Transactions**

For the year ended June 30, 2021, the City received \$39,484 from the Carrollton Housing Authority as payments in lieu of tax.

**Carrollton Utilities Natural Gas Hedge Policy**

Carrollton Utilities encounters financial risk because natural gas accounts for the vast majority of its expenses, and the price of this commodity is volatile. This price risk can be managed with hedging techniques. Carrollton Utilities engages in hedge transactions that are consistent with prudent risk management practices. Hedge transactions must be related to Carrollton Utilities gas sales or acquisition commitments (including fixed price commitments made on behalf of customers), existing assets and liabilities, and foreseeable future purchase and sales requirements. Carrollton Utilities does not engage in speculation. Unless otherwise authorized by resolution of the Carrollton Utilities Commission, Carrollton Utilities executes financial hedges only with the Public Energy Authority of Kentucky (PEAK).

Subject to approved guidelines, Carrollton Utilities executes hedges for its large industrial customers without specific approval of the Carrollton Utilities Commission. The Commission shall approve all other hedges, including those relating to system supply gas requirements, *i.e.*, gas requirements for residential, commercial and industrial customers with annual requirements less than 15,000 Mcf per year.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 4. OTHER NOTES (Continued)**

**4.D. MISCELLANEOUS**

**Segment Information – Enterprise Fund**

The City maintains an enterprise fund which provides gas, water, and sewer services. Selected financial information for business segments of the enterprise fund for the year ended June 30, 2021, is presented as follows:

<b>CONDENSED STATEMENT OF NET POSITION</b>	<b>Gas</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Assets:</b>				
Current Assets	\$ 16,633,174	\$ (1,740,500)	\$ (1,266,854)	\$ 13,625,820
Other Noncurrent Assets	1,321,109	338,897	568,963	2,228,969
Capital Assets (Net)	11,289,766	5,923,210	24,571,179	41,784,155
Total Assets	<u>\$ 29,244,049</u>	<u>\$ 4,521,607</u>	<u>\$ 23,873,288</u>	<u>\$ 57,638,944</u>
<b>Deferred Outflows:</b>	<u>\$ 671,719</u>	<u>\$ 383,839</u>	<u>\$ 543,772</u>	<u>\$ 1,599,330</u>
<b>Liabilities:</b>				
Due to Other Funds	\$ 1,248,219	\$ 34,646	\$ -	\$ 1,282,865
Other Current Liabilities	4,162,582	129,497	456,367	4,748,446
Due to Other Funds (Noncurrent)	1,031,319	-	-	1,031,319
Other Noncurrent Liabilities	3,750,344	4,218,025	3,442,220	11,410,589
Total Liabilities	<u>\$ 10,192,464</u>	<u>\$ 4,382,168</u>	<u>\$ 3,898,587</u>	<u>\$ 18,473,219</u>
<b>Deferred Inflows:</b>	<u>\$ 283,677</u>	<u>\$ 221,813</u>	<u>\$ 176,591</u>	<u>\$ 682,081</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 11,281,688	\$ 4,088,867	\$ 22,503,525	\$ 37,874,080
Restricted for Debt Service	-	125,336	477,503	602,839
Unrestricted	8,157,939	(3,912,738)	(2,639,146)	1,606,055
Total Net Position	<u>\$ 19,439,627</u>	<u>\$ 301,465</u>	<u>\$ 20,341,882</u>	<u>\$ 40,082,974</u>
	<b>Gas</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Operating Revenues	\$ 33,055,924	\$ 1,491,587	\$ 2,680,995	\$ 37,228,506
Depreciation Expense	(651,617)	(320,630)	(953,525)	(1,925,772)
Other Operating Expenses	(32,089,439)	(1,696,330)	(1,795,107)	(35,580,876)
Net Operating Income (Loss)	<u>\$ 314,868</u>	<u>\$ (525,373)</u>	<u>\$ (67,637)</u>	<u>\$ (278,142)</u>
Nonoperating Revenues (Expenses):				
Interest Income	43,279	11,600	5,433	60,312
Interest & Fiscal Charges	-	(28,378)	(31,372)	(59,750)
Gain (Loss) on Sale of Assets	(5,514)	(889)	16,403	10,000
Change in Net Position	<u>\$ 352,633</u>	<u>\$ (543,040)</u>	<u>\$ (77,173)</u>	<u>\$ (267,580)</u>
Beginning Net Position (As Restated)	<u>19,086,994</u>	<u>844,505</u>	<u>20,419,055</u>	<u>40,350,554</u>
Ending Net Position	<u>\$ 19,439,627</u>	<u>\$ 301,465</u>	<u>\$ 20,341,882</u>	<u>\$ 40,082,974</u>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2021

**NOTE 4. OTHER NOTES (Continued)**

**4.D. MISCELLANEOUS**

**Segment Information – Enterprise Fund (Continued)**

<b>CONDENSED STATEMENT OF CASH FLOWS</b>	<b>Gas</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Net Cash Provided (Used) by:				
Operating Activities	\$ 1,581,293	\$ (75,446)	\$ 1,046,574	\$ 2,552,421
Capital and Related Financing Activities	(486,347)	(210,340)	(282,108)	(978,795)
Investing Activities	3,768,366	111,861	170,973	4,051,200
Net Increase (Decrease)	\$ 4,863,312	\$ (173,925)	\$ 935,439	\$ 5,624,826
Beginning Cash and Cash Equivalents	7,039,047	(2,124,358)	(1,917,010)	2,997,679
Ending Cash and Cash Equivalents	<u>\$ 11,902,359</u>	<u>\$ (2,298,283)</u>	<u>\$ (981,571)</u>	<u>\$ 8,622,505</u>

**4.E. SUBSEQUENT EVENTS**

As described in Note 4.C. Carrollton Utilities has an operational agreement with West Carroll Water District. On July 1, 2021, West Carroll Water District will merge with the Carrollton Utilities Commission. This merger was initiated as a requirement imposed on West Carroll Water District by the Kentucky Public Service Commission under CASE No. 2019-00041. The merger was approved by the Carrollton Utilities Commission, the City of Carrollton, the West Carroll Water District, and the Kentucky Public Service Commission. Under the merger agreement, all assets and liabilities of the West Carroll Water District will be combined with those of the Carrollton Utilities Commission. The customers of the West Carroll Water District will now receive water service from the Carrollton Utilities Commission.

The initial opening balances of the assets, liabilities, and net position to be recorded as of July 1, 2021, were determined based on the carrying values reported in the financial statements of West Carroll Water District as of June 30, 2021. The excess of Net Position transferred to the Carrollton Utilities Commission has been reported as contributed capital. The assets and liabilities received are as follows:

Cash and Current Assets	\$ 463,135
Materials & Supplies - Water	16,833
Capital Assets - Net	2,532,575
Accounts Payable	(12,585)
Accounts Payable - Carrollton Utilities	(45,508)
Customer Deposits Payable	(12,550)
Other Accrued Expenses	(1,567)
Accrued Interest - Bonds	(10,817)
Bonds Payable - Rural Development	(498,000)
Notes Payable & Accrued Interest - Carrollton Utilities	(491,338)
Contributed Capital	(1,940,178)

Accounts payable and notes payable to the Carrollton Utilities Commission prior to July 1, 2021 will be eliminated [offset] in the records of the Carrollton Utilities Commission. All bonds payable to Rural Development will be repaid at the date of the merger.

In accordance with the City of Carrollton's policies, materials and supplies received will be expensed.

In September, 2021, the City entered contract to sell real property. The transaction will result in a loss of approximately \$160,000 to the City.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2021**

**4.E. SUBSEQUENT EVENTS (Continued)**

In August, 2021, the City of Carrollton received \$489,433 American Rescue Plan Act Funds. This is the first of two payments to be received and represents 50% of the funds allocated to the City through the state of Kentucky. Such funding is restricted as to use to those purposes outlined in the Act.

Management has considered subsequent events through the date of this report January 10, 2022, for disclosure. The immediate and long-term impact that ongoing pandemic issues may have on the financial position of the City is unknown at this time.

**4.F. CHANGE IN PRESENTATION**

Sanitation expenditures have been presented as a separate function in the statement of revenues, expenditures and changes in fund balances – governmental funds. In previous years, such expenditures were included under the administrative function.

**CITY OF CARROLLTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget Favorable (Unfavorable)</b>
Budgetary Fund Balance, July 1	\$ 3,004,463	\$ 3,301,118	\$ 3,421,782	\$ 120,664
<b>ESTIMATED REVENUES</b>				
Payments in Lieu of Taxes	\$ 37,000	\$ 38,000	\$ 39,484	\$ 1,484
Ad Valorem Taxes	456,320	468,250	482,084	13,834
Franchise Fees	358,500	390,500	365,932	(24,568)
Garbage Collection	380,000	390,000	402,615	12,615
Bank Franchise Deposit Tax	27,000	31,560	31,074	(486)
Business Licenses	100,000	100,000	106,536	6,536
Insurance Licenses	550,000	591,430	645,435	54,005
Building Permits	1,500	1,500	1,775	275
Penalty & Interest	9,000	9,000	12,272	3,272
Interest Revenue	19,500	16,047	16,223	176
PEAK Annual Return	1,556,795	1,979,088	1,838,528	(140,560)
Two Rivers Campground Receipts	150,010	150,010	169,343	19,333
Donations	3,500	3,500	12,788	9,288
Other Revenue	7,000	45,652	23,295	(22,357)
Proceeds from Outside Sources:				
HB413/Citations/Police Misc. Receipts	14,000	12,891	13,923	1,032
CC Fiscal Court - Dispatatch	294,589	253,575	288,604	35,029
CC Fiscal Court - CMRS Landlines	100,000	100,000	97,344	(2,656)
Police & Firefighter's Incentive Pay	60,000	60,000	58,502	(1,498)
State Fire Aid	11,000	11,000	11,000	-
U.S. Dept of Transportation - Highway Safety Grant	-	1,000	1,744	744
Carroll County Board of Education - Resource Officer	189,800	163,500	163,548	48
CRMS Dispatch Equipment Grant	93,728	216,108	-	(216,108)
CARES Grant	-	360,506	353,645	(6,861)
Sale of Capital Assets	50	1,000	28,170	27,170
Total Estimated Revenues	\$ 4,419,292	\$ 5,394,117	\$ 5,163,864	\$ (230,253)
Total Resources Available for Appropriation	\$ 7,423,755	\$ 8,695,235	\$ 8,585,646	\$ (109,589)
<b>APPROPRIATIONS</b>				
Administrative	\$ 566,970	\$ 552,431	\$ 584,767	\$ (32,336)
Public Safety				
Fire Department	182,801	171,403	181,094	(9,691)
Dispatch	542,178	571,367	638,352	(66,985)
Police Department	1,412,083	1,427,342	1,405,645	21,697
Sanitation	380,000	390,000	356,378	33,622
Public Works	742,209	876,115	741,731	134,384
Parks and Recreation	109,570	108,810	115,404	(6,594)
Code Enforcement	98,724	66,279	44,198	22,081
Capital Outlay	330,907	603,405	489,833	113,572
Debt Service - Principal	-	-	3,744	(3,744)
Total Appropriations	\$ 4,365,442	\$ 4,767,152	\$ 4,561,146	\$ 206,006
Excess of Resources and Revenues Over (Under) Appropriations	\$ 3,058,313	\$ 3,928,083	\$ 4,024,500	\$ 96,417
Estimated Fund Balance at June 30, 2021	\$ 3,058,313	\$ 3,928,083	\$ 4,024,500	\$ 96,417

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BUDGETING COMPARISON SCHEDULE**  
**June 30, 2021**

**Budgetary Accounting**

The City Council follows these procedures in establishing the budgetary data for the general fund included in the required supplementary information.

- (1) The Mayor and City Clerk-Treasurer submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- (4) The City Clerk-Treasurer presents monthly financial statements to the City Council comparing actual year to date expenditures to budgeted expenditures.
- (5) Formal budgetary integration is employed as a management control device during the year.
- (6) The City Council may authorize supplemental appropriations during the year. The budget was amended by ordinance at year end.

**Budget to Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<b>General Fund</b>
<b>Sources/inflows of resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 8,585,646
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes and consists of available cash	(3,421,782)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,163,864</u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total appropriation" from the budgetary comparison schedule	\$ 4,561,146
Differences - budget to GAAP:	
None	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,561,146</u>

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**June 30, 2021**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
City's proportion of the net pension liability (asset)	0.115106%	0.120539%	0.11435%	0.11108%	0.11029%	0.11158%	0.1112%
City's proportionate share of the net pension liability (asset)	\$ 8,828,535	\$ 8,477,562	\$ 8,964,142	\$ 6,501,971	\$ 5,430,027	\$ 4,797,556	\$ 3,608,000
City's covered payroll	\$ 3,112,313	\$ 3,098,973	\$ 2,839,838	\$ 2,705,054	\$ 2,609,781	\$ 2,678,002	\$ 2,390,302
City's proportionate share of the net pension liability (asset) as a percentage of its of its covered payroll	283.66%	273.56%	245.23%	240.36%	208.06%	179.15%	150.94%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.5%	53.3%	55.5%	59.97%	62.60%

Calculations of the City's proportion of the net pension liability (%) and proportionate share of the net pension liability (\$) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal years ended June 30, shown.

City payroll is reported for its' fiscal years ending June 30, 2014 through 2020.

GASB 68 requires the City to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018, as documented in the report titled *Kentucky Retirement Systems 2018 Actuarial Experience Study for the period ending June 30, 2018*. Actuarial Methods and Assumptions for Determining Net Pension Liability:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Inflation	2.30%	2.30%	2.30%	2.30%	3.25%	3.25%	3.50%
Salary Increases	3.30%-10.30%	3.30%-10.30%	3.05%	3.05%	4.00%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	7.50%	7.50%	7.75%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2020 were as follows: The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

In previous year the mortality table used for active members is 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The assumed rates of retirement, withdrawal, and disability were based on an actuarial valuation performed as of June 30, 2019.

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF THE CITY'S CONTRIBUTIONS (PENSION)  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
For the Fiscal Year Ending June 30**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually (Employer) Required Contribution	\$ 601,250	\$ 569,045	\$ 490,829	\$ 406,760	\$ 377,349	\$ 324,154	\$ 334,421
Contributions in Relation to the Contractually Required Contributions	<u>\$ 601,250</u>	<u>\$ 569,045</u>	<u>\$ 490,829</u>	<u>\$ (406,760)</u>	<u>\$ (377,349)</u>	<u>\$ (324,154)</u>	<u>\$ (334,421)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,112,313	\$ 2,948,415	\$ 3,098,973	\$ 2,839,838	\$ 2,705,054	\$ 2,609,781	\$ 2,678,002
Contributions as a Percentage of Covered Payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.49%

The City's contributions above include only the contributions to the County Employees Retirement Systems Pension Fund. GASB 68 required the City to present the above information for the CERS Pension Fund for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**June 30, 2021**

	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset) %	0.115072%	0.12055%	0.11435%	0.111082%
City proportionate share of the net OPEB liability (asset)	\$ 2,778,639	\$ 2,027,512	\$ 2,030,137	\$ 2,233,128
City's covered payroll	\$ 3,112,313	\$ 3,098,973	\$ 2,839,838	\$ 2,705,054
City proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	89.28%	65.43%	71.49%	82.55%
Plan fiduciary net position as a percentage of the total OPEB liability.	51.67%	60.44%	57.6%	52.4%

Calculations of the City's proportion of the net OPEB liability (%) and proportionate share of the net OPEB liability (\$) are based on report of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and OPEB Amounts by Employer for the fiscal years ended June 30, shown.

GASB 75 requires the City to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

City covered payroll is reported for the fiscal years ended June 30, 2017 through 2020.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018, as documented in the report titled, *Kentucky Retirement Systems 2018 Actuarial Experience Study for the period ending June 30, 2018*.

During the 2018 legislative session, House Bill 195 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Actuarial Methods and Assumptions for Determining Net OPEB Liability:

	2020	2019	2018	2017
Payroll Growth Rate	2.0%	2.0%	2.0%	2.0%
Salary Increases	3.30%-10.30% varies by service	3.30%-10.30% varies by service	3.05% Average	3.05% Average
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%
Inflation	2.3%	2.3%	2.3%	2.3%
Healthcare Trend Rates: Pre-65	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates: Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality: Pre-Retirement	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
Post-Retirement	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.	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.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).
Post-Retirement (disabled)	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF THE CITY'S CONTRIBUTIONS (OPEB)  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
For the Fiscal Year Ending June 30**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually (Employer) Required Contributions	\$ 148,287	\$ 154,155	\$ 145,360	\$ 137,920	\$ 127,946	\$ 121,101	\$ 129,047
Contributions in Relation to the Contractually Required Contributions	(148,287)	(154,155)	(145,360)	(137,920)	(127,946)	(121,101)	(129,047)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,112,313	\$ 2,948,415	\$ 3,098,973	\$ 2,839,838	\$ 2,705,054	\$ 2,609,781	\$ 2,678,002
Contributions as a Percentage of Covered Payroll	4.76%	4.76%	5.26%	4.70%	4.73%	4.64%	4.82%

The City's contributions above include only the contributions to the County Employees Retirement System's Insurance Fund. GASB 75 requires the City to present the above information for the CERS Insurance Fund for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

**CITY OF CARROLLTON, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2021**

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Municipal Road Aid</u>	<u>L.G.E.A.F. Program</u>	<u>Shop With A Cop</u>	
<b>ASSETS</b>				
Cash	\$ 1,474	\$ 19,396	\$ 11,938	\$ 32,808
Due from Other Governments	8,654	1,791	-	10,445
Total Assets	<u>\$ 10,128</u>	<u>\$ 21,187</u>	<u>\$ 11,938</u>	<u>\$ 43,253</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Restricted	\$ 10,128	\$ 21,187	\$ -	\$ 31,315
Assigned	-	-	11,938	11,938
Total Fund Balances	<u>\$ 10,128</u>	<u>\$ 21,187</u>	<u>\$ 11,938</u>	<u>\$ 43,253</u>
Total Liabilities and Fund Balances	<u>\$ 10,128</u>	<u>\$ 21,187</u>	<u>\$ 11,938</u>	<u>\$ 43,253</u>



**CITY OF CARROLLTON, KENTUCKY  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2021**

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Municipal Road Aid</b>	<b>L.G.E.A.F. Program</b>	<b>Shop With A Cop</b>	
<b>REVENUES</b>				
Kentucky Municipal Road Aid	\$ 75,393	\$ -	\$ -	\$ 75,393
Local Government Economic Assistance	-	8,903	-	8,903
Donations	-	-	3,978	3,978
Interest / Investment Revenue	287	55	18	360
Total Revenues	<u>\$ 75,680</u>	<u>\$ 8,958</u>	<u>\$ 3,996</u>	<u>\$ 88,634</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public Works	\$ 71,843	\$ -	\$ -	\$ 71,843
Community Service	-	-	4,600	4,600
Total Expenditures	<u>\$ 71,843</u>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 76,443</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 3,837</u>	<u>\$ 8,958</u>	<u>\$ (604)</u>	<u>\$ 12,191</u>
Other Financing Sources (Uses)				
Transfers Out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 3,837</u>	<u>\$ 8,958</u>	<u>\$ (604)</u>	<u>\$ 12,191</u>
Fund Balances - July 1	<u>6,291</u>	<u>12,229</u>	<u>12,542</u>	<u>31,062</u>
Fund Balances - June 30	<u>\$ 10,128</u>	<u>\$ 21,187</u>	<u>\$ 11,938</u>	<u>\$ 43,253</u>

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF DEPARTMENTAL OPERATING REVENUES AND EXPENSES**  
**ENTERPRISE FUND**  
**(CARROLLTON UTILITIES)**  
**For the Year Ended June 30, 2021**

	Departments				
	Gas	Water	Sewer	Contractual Services	Total
<b>Operating Revenues:</b>					
Charges for Services:					
Utility Charges (Net of Bad Debt Expense)	\$ 32,980,183	\$ 1,220,688	\$ 2,460,322	\$ -	\$ 36,661,193
Connection Fees & Service Charges	49,043	8,845	195,878	-	253,766
Contractual Services	-	-	-	248,178	248,178
Total Charges for Services	<u>\$ 33,029,226</u>	<u>\$ 1,229,533</u>	<u>\$ 2,656,200</u>	<u>\$ 248,178</u>	<u>\$ 37,163,137</u>
Miscellaneous Revenues	26,698	13,876	24,795	-	65,369
Total Operating Revenues	<u>\$ 33,055,924</u>	<u>\$ 1,243,409</u>	<u>\$ 2,680,995</u>	<u>\$ 248,178</u>	<u>\$ 37,228,506</u>
<b>Operating Expenses:</b>					
Cost of Goods Sold	\$ 30,410,833	\$ -	\$ -	\$ -	\$ 30,410,833
Operation & Maintenance	456,535	670,380	871,578	152,424	2,150,917
General & Administrative	1,222,073	703,493	923,529	170,031	3,019,126
Depreciation	651,617	320,630	953,525	-	1,925,772
Total Operating Expenses	<u>\$ 32,741,058</u>	<u>\$ 1,694,503</u>	<u>\$ 2,748,632</u>	<u>\$ 322,455</u>	<u>\$ 37,506,648</u>
<b>Net Operating Income (Loss)</b>	<u>\$ 314,866</u>	<u>\$ (451,094)</u>	<u>\$ (67,637)</u>	<u>\$ (74,277)</u>	<u>\$ (278,142)</u>

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF OPERATION & MAINTENANCE, GENERAL &**  
**ADMINISTRATIVE EXPENSES BY DEPARTMENT**  
**ENTERPRISE FUND**  
**(CARROLLTON UTILITIES)**  
**For the Year Ended June 30, 2021**

	Departments				
	Gas	Water	Sewer	Contractual Services	Total
OPERATION & MAINTENANCE					
Customer Service	\$ 58,224	\$ 35,462	\$ 5,713	\$ 22,271	\$ 121,670
Mains	134,850	33,241	81,007	88,002	337,100
Transportation	34,172	25,550	47,662	5,715	113,099
Plant and Equipment	220,737	348,611	600,987	34,976	1,205,311
Chemicals	-	128,121	69,630	-	197,751
Electric, Light and Power	8,552	99,395	66,579	1,460	175,986
Total	<u>\$ 456,535</u>	<u>\$ 670,380</u>	<u>\$ 871,578</u>	<u>\$ 152,424</u>	<u>\$ 2,150,917</u>
GENERAL & ADMINISTRATIVE EXPENSES					
Office Salaries	\$ 286,350	\$ 69,800	\$ 166,191	\$ 29,796	\$ 552,137
Employee Benefits	560,668	418,652	510,833	125,313	1,615,466
Payroll Taxes	55,219	27,939	42,041	13,918	139,117
Commissioner Fees	7,200	3,600	3,600	-	14,400
Office Expenses	64,219	72,048	67,314	-	203,581
Professional and Outside Services	52,963	39,436	56,295	-	148,694
Insurance	110,720	19,624	19,624	-	149,968
Other	84,734	52,394	57,631	1,004	195,763
Total	<u>\$ 1,222,073</u>	<u>\$ 703,493</u>	<u>\$ 923,529</u>	<u>\$ 170,031</u>	<u>\$ 3,019,126</u>

# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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

**The Mayor and Members of the City Council  
of the City of Carrollton  
Carrollton, Kentucky**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carrollton, Kentucky as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Carrollton, Kentucky's basic financial statements and have issued our report thereon dated January 10, 2022.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered City of Carrollton, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carrollton, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carrollton, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-002 to be a significant deficiency.

**The Mayor and Members of the City Council  
of the City of Carrollton  
Page Two**

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether City of Carrollton, 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 CARROLLTON, KENTUCKY'S RESPONSE TO FINDINGS**

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

*Raisor, Zapp & Woods PSC*

**RAISOR, ZAPP & WOODS, PSC  
Certified Public Accountants  
Carrollton, Kentucky**

**January 10, 2022**

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
For the Year Ended June 30, 2021**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**SCHEDULE OF FINDING AND QUESTIONED COSTS**

<i>Financial Statements</i>		
The auditor's report expresses an unmodified opinion on whether the financial statements of City of Carrollton, Kentucky were prepared in accordance with GAAP.		
Internal control over financial reporting:		
• Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
• Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>      </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**DEFICIENCIES IN INTERNAL CONTROL**

**GOVERNMENT AUDITING STANDARDS**

**2021-001 SIZE OF ENTITY AND CHECKING PROCEDURES**

**CRITERIA:**

Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow timely preparation of financial data consistent with management assertions.

**CONDITION:**

The size of the administrative staff limits internal control. Some reconciliation procedures were not completed properly. A similar condition was cited in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 as a material weakness as Item 2020-002.

**CAUSE:**

The staff size of the City limits the ability to rotate duties and implement checking procedures. Procedures have not been implemented over certain functions allowing the possibility for errors to be undetected.

**EFFECT OR POTENTIAL EFFECT:**

This limitation may affect the ability to timely record, process, summarize and report financial data.

**RECOMMENDATION:**

Management should implement checking processes and expand controls. Reconciliations should balance to the general ledger account balances. Procedures should be documented to assist employees.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

Efforts have been made to implement additional reconciliation and checking procedures, and we will continue our efforts to improve our review processes. In fiscal year 2022, the City and Carrollton Utilities has continued to contract with a certified public accountant to assist in reviews. We will review our current policies and procedures and respond to risks identified.

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
For the Year Ended June 30, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**DEFICIENCIES IN INTERNAL CONTROL (CONTINUED)**

**GOVERNMENT AUDITING STANDARDS (CONTINUED)**

**2021-002 FAILURE TO PREPARE A COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES**

**CRITERIA:**

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

**CONDITION:**

City financial statements, including the required disclosures, are prepared as part of the annual audit. The condition was also cited as a significant deficiency in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 as item 2020-002.

**CAUSE:**

Management of the City are not sufficiently familiar with all accounting, financial reporting and disclosure requirements to prepare internal financial statements. The draft accrual basis (government-wide) financial statements and disclosures are prepared during the audit process. Entries are not entered into the City's general ledger and financial reports.

**EFFECT OR POTENTIAL EFFECT:**

Management has engaged the auditor to assist with preparation of the 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:**

Management should continue to be aware of its responsibilities in the preparation of its financial statements and continue to increase its involvement in understanding of that process.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

In fiscal year 2022, the City and Carrollton Utilities has continued to contract with a certified public accountant to assist in preparation of a complete set of financial statements.

**COMPLIANCE ISSUES**

**COMPLIANCE AND OTHER MATTERS**

NONE